



Texas

***Comprehensive
Annual
Financial Report
For The Year Ended
September 30, 2014***



CITY OF DESOTO, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED September 30, 2014



Prepared by the

FINANCIAL SERVICES DEPARTMENT

Edena J. Atmore, CPA, CPFO, CGFO
Managing Director

Tishia N. Jordan,
Assistant Finance Director

CITY MANAGER

Tarron Richardson, Ph.D.

CITY COUNCIL

Carl O. Sherman, Mayor

Virgil Helm, Council Member
Dick North, Council Member
Kristine Clark, Council Member

James Zander, Council Member
Rachel Proctor, Council Member
Curtistene McCowan, Mayor Pro-Tem

CITY OF DESOTO, TEXAS
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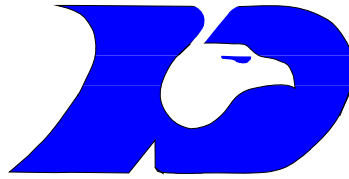
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INTRODUCTORY SECTION



City of DeSoto

March 26, 2015

To the Citizens of the
City of DeSoto, Texas

State law requires that every municipality publish within six (6) months of the close of each fiscal year a complete set of audited financial statements, to include the auditor's opinion on the statements. This report is published to fulfill that requirement for the fiscal year that ended Thursday, September 30, 2014.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Whitley Penn LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Desoto's financial statements for the year that ended Thursday, September 30, 2014. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with the aforesaid document.

Profile

Located in the Best Southwest portion of Dallas County, the City of DeSoto is situated just minutes from downtown Dallas. Bordering I-35 on its eastern border and Highway 67 on its northern boundary, the City covers approximately 21.6 square miles. The City serves an estimated 2014 population of 51,483. The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, and is a home-rule city operating under a Council/Manager form of government. The Council is comprised of the Mayor and six Council members, who enact local legislation, adopt budgets, determine policies, and appoint the City secretary, City attorney and Judge of the municipal court. The City Manager, appointed by City Council, is the chief administrative officer for the City and is responsible for the daily management of the City. Major services provided under general government and enterprise functions are: public safety (police and fire protection), emergency ambulance services, construction and maintenance of streets, water and sewer services, parks and

recreation, library services and general administrative services.

Accounting System and Budgetary Control

One of the objectives of the City's financial accounting system is to provide adequate internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's enterprise activities are maintained on the accrual basis.

The government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net assets and statement of activities.

Budgetary Controls – The budgetary process begins each year with the preparation of both current and proposed revenue estimates by the City's administrative and financial management staff and expenditure estimates provided by each City department. Budgets are reviewed by the administrative and financial management staff, which consists of the City Manager's Office and Financial Services Department Managers. The City Manager makes final decisions and submits a recommended budget to the City Council. The proposed budget is reviewed by the City Council, a process that includes a Charter-mandated public hearing, in addition to work sessions which are open to the public. The City Charter requires adoption of the City budget at least ten days prior to the beginning of the fiscal year.

The objective of the budgetary controls maintained by the City is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Activities of the general fund, water and sewer fund, and all other funds are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amounts) is established by departments within the individual fund. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Monthly departmental expenditure reports are generated by an automated accounting system and provide expenditure totals and encumbrances at the line-item level for the most recently completed month as well as the year-to-date total, and an actual versus budgeted rate of expenditure. Major expenditure requests are approved by the City Manager prior to the encumbrance of funds.

Relevant Financial Policies

The City has established a policy to have a balanced budget and to maintain a reserve account. In fiscal year 2014, the General Fund accomplished this by having a fund balance of \$13,438,064, which exceeds reserve requirements of 60 days.

The City also has a long range planning policy to identify major issues when developing its fiscal year budget. A two year budget analysis of all City funds is developed to provide an understanding of the long term impact of budget decisions. The fiscal year 2015 budget was prepared along with a planning budget for fiscal year 2016.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The City's investment strategies include using cash flow analysis to purchase securities. This practice lessens the impact that rising interest rates have on the valuation changes of the portfolio. Investments in the deferred compensation plans are held by the third party plan administrators. The investment policy is annually updated and approved by the Council in compliance with the Texas Public Funds Investment Act.

Local Economy

Major industries located in the City of DeSoto include manufacturers of solar turbines, a transportation company, a healthcare provider, as well as a distributor of retail items and several retail grocery chains. These industries employ over 2,600 employees.

The City's unemployment rate for fiscal year ending 2014 is an average of 5.8%, which is slightly above the unemployment rate for Dallas County of 5.2%. The City of DeSoto benefits from its proximity to the Dallas-Fort Worth metroplex and major transportation corridors with its location twelve (12) miles south of Dallas. The close proximity to job opportunities in Dallas, Fort Worth and the Mid-Cities continues to contribute to growth in the City. Its estimated population of over 51,000 has grown a notable 35% since 2000, with an increase of 40% in the number of households during the same time. There is room for further development within the City's 21.6 square miles, since the City is only 60-65% built out.

In fiscal year 2014, the City experienced an increase in taxable assessed valuation by 5.6% since fiscal year 2013. Like most cities in the Dallas-Fort Worth area, the City experienced a modest rise in residential values. The City also experienced an increase in building permits and sales tax for fiscal year 2014.

Long-term Financial Planning

The City has historically maintained solid general fund balances. Fiscal year 2014 fund balance for the General Fund was approximately \$13.4 million or roughly 43% of spending. The City continues to respond proactively to the downturn in the economy by implementing budget cuts sufficient to offset the revenue loss and does not expect to utilize reserves for recurring operating expenditures. The City is also utilizing extensive planning and maintaining tight budgetary measures to balance its operations. The sales tax receipts are expected to continue increasing slightly as the City continues to provide incentives for retail and business operations that come to the City.

Because of the City's proximity to Interstate 35 East and Interstate 20, businesses are recognizing DeSoto as one of the region's hot spots for growth. The City is committed to supporting new and expanding companies by creatively customizing incentive packages based on individual business needs.

The City also has more than 400 acres of land that are available for industrial and commercial development within the DeSoto Eagle Industrial and Business Park. The Hillwood Crossroads Trade Center in the Industrial Park offers 1.8 million square feet of build-to-suit distribution or light industrial space for lease at Centre Park Blvd and Interstate 35 East.

Major Initiatives

The 2013-2014 fiscal year included initiatives such as:

- Maintain the current level of services provided by the Police & Fire Department, as well as the Division of Code Enforcement;
- Finalize and implement the business plan and design for a Heliport facility in the Eagle Industrial Park;
- Increase the value of commercial assets through new development and redevelopment; and
- Develop a regional economic development vehicle to attract major employers to the Best Southwest region.
- Review and update the Master Comprehensive Plan

Awards and Acknowledgements

Awards – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in financial reporting for the fiscal year that ended Monday, September 30, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement for Excellence, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose content conform to program standards. Such Comprehensive Annual Financial Reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of DeSoto has received a Certificate of Achievement for the last 29 consecutive fiscal years ended September 30. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the City's staff. Appreciation is to Tishia Jordan, Assistant Finance Director and City staff who assisted as well as contributed to its preparation. The Mayor and the City Council are also commended for their willingness to participate in the strategic planning process for financial operations.

Respectfully,

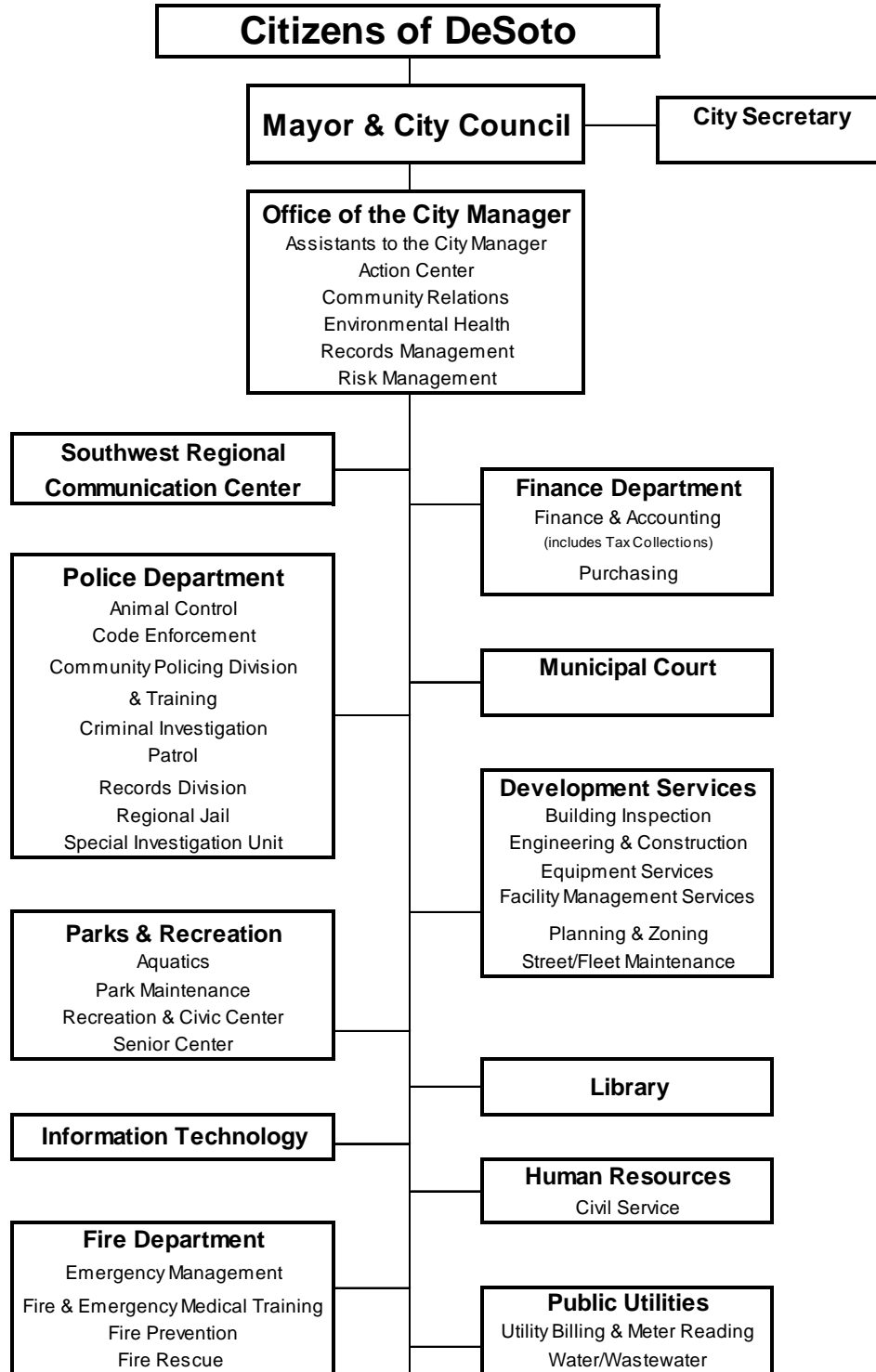
A handwritten signature in black ink, appearing to read "Tarron", written in a cursive style.

Tarron Richardson, Ph.D.
City Manager

A handwritten signature in blue ink, appearing to read "Edena J. Atmore", written in a cursive style.

Edena J. Atmore, CPA, CGMA, CPFO, CGFO
Managing Director of Financial Services

CITY OF DESOTO, TEXAS
ORGANIZATIONAL CHART



City Officials

City Council

Carl O. Sherman

Mayor

Place One

Virgil Helm

Place Two

Rachel Proctor

Place Four

Curtistene McCowan

Mayor Pro Tem

Place Six

Kristine Clark

Place Three

Richard North

Place Five

James Zander

Place Seven

Joe Gorfida

City Attorney

City Management

Tarron J. Richardson, Ph.D.

City Manager

Tracie Hlavinka

Assistant City Manager

Lora Stallings

Assistant City Manager

Edena J. Atmore, CPA, CPFO, CGFO

Managing Director

Financial Services

Isom Cameron

Managing Director

Public Utilities

Joseph Costa

Police Chief

Police Department

Karima Dash

Managing Director

Southwest Regional Communication
Center (SWRCC)

Jerry Duffield

Fire Chief

Fire and EMS Department

Renee Johnson

Managing Director

Parks & Recreation

Tom Johnson

Managing Director

Development Services

Scott Kurth

Judge

DeSoto Municipal Court

Kerry McGeath

Managing Director

Library Services

Kisha Morris

City Secretary

Kathleen Shields

Managing Director

Human Resources



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of DeSoto
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITORS

The Honorable Mayor and
Members of the City Commission
City of DeSoto, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of DeSoto, Texas (the “City”), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Honorable Mayor and
Members of the City Commission
City of DeSoto, Texas

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that required supplementary information, such as management's discussion and analysis, schedule of funding progress and budgetary comparison information on pages 9-17, 77-78 and 79-80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules, discretely presented component unit fund statements and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules along with the discretely presented component unit fund statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules and the discretely presented component unit fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The Honorable Mayor and
Members of the City Commission
City of DeSoto, Texas

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance and has been issued under separate cover.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
March 26, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF DESOTO, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of DeSoto (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages i - iv of this report, and the financial statements which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the 2014 fiscal year by \$164,828,330 (net position). Of this amount, \$25,801,269 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of fiscal year 2014, the City's governmental funds reported combined ending fund balances of \$21,101,864, an increase of \$544,032 from the prior year. Approximately 63% of this total amount is unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$13,395,310 or 44% of total General Fund expenditures.
- The City's total capital assets net of accumulated depreciation decreased by \$3.6 million. The decrease is primarily due to current year depreciation. Capital project activity decreased for 2014; therefore, capital additions did not exceed current year depreciation.
- The City's long-term debt decreased \$5.7 million due to scheduled payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information in order to present how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will only result in changes in cash flows for future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

CITY OF DESOTO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, development services, financial services, municipal court parks and recreation, library services, human resources, and information technology. The business-type activities of the City include public utilities, drainage systems, and sanitation operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also include the DeSoto Health Facilities Development Corporation, the DeSoto Housing Finance Corporation and the DeSoto Industrial Development Authority, Inc., which are legally separate but financially accountable to the City. A blended presentation has been used to report the financial information of these component units. That means that the component unit balances and transactions are reported in a manner similar to the balances and transactions of the primary government. Additionally, the government-wide financial statements include the DeSoto Economic Development Corporation and the DeSoto Park Development Corporation as part of its reporting entity as discretely presented component units. Discrete presentation entails reporting component unit financial data in columns separate from the financial data of the primary government. The DeSoto Economic Development Corporation and the DeSoto Park Development Corporation are legally separate entities.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The fund financial statements for governmental funds, proprietary funds and fiduciary funds can be found in the financial section of this report.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 14 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund, which are considered to be major funds. Data from the other 12 governmental funds are combined into a single aggregate presentation.

The City adopts an annual appropriated budget for its general fund. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual is provided for the general fund to demonstrate compliance with this budget.

CITY OF DESOTO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its public utility, drainage and sanitation operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for public utility, drainage and sanitation, all of which are considered to be major funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is similar to the accounting used for proprietary funds. The Agency Fund is one of the City's fiduciary funds and it accounts for the funds held in an agency capacity for the Southwest Regional Communication Center. See Note 1 for additional information pertaining to fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 31 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation. Required supplementary information immediately follows the notes to the financial statements.

Combining statements and budgetary comparison schedules for non-major governmental funds and component unit fund financial statements follow the section on required supplementary information.

CITY OF DESOTO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2014, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$164,828,330 .

The largest portion of the City's net position (81%) reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$25,801,269 may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2014, the City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities.

City of Desoto's Net Position

	Governmental Activities		Business Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 28,113,416	\$ 27,900,354	\$ 25,336,225	\$ 26,744,949	\$ 53,449,641	\$ 54,645,303
Capital assets	140,535,194	142,806,991	63,131,499	64,426,236	203,666,693	207,233,227
Total assets	<u>168,648,610</u>	<u>170,707,345</u>	<u>88,467,724</u>	<u>91,171,185</u>	<u>257,116,334</u>	<u>261,878,530</u>
Deferred outflows of resources	<u>885,863</u>	<u>993,468</u>	<u>83,447</u>	<u>94,004</u>	<u>969,310</u>	<u>1,087,472</u>
Current and other liabilities	2,875,914	3,172,712	2,714,012	2,904,508	5,589,926	6,077,220
Long-term liabilities	<u>68,991,154</u>	<u>73,734,044</u>	<u>18,363,509</u>	<u>19,487,242</u>	<u>87,354,663</u>	<u>93,221,286</u>
Total Liabilities	<u>71,867,068</u>	<u>76,906,756</u>	<u>21,077,521</u>	<u>22,391,750</u>	<u>92,944,589</u>	<u>99,298,506</u>
Deferred inflows of resources	<u>312,725</u>	<u>341,155</u>	<u>-</u>	<u>-</u>	<u>312,725</u>	<u>341,155</u>
Net position						
Net investment in capital assets	79,821,001	80,552,505	53,034,176	55,777,822	132,855,177	136,330,327
Restricted	6,171,884	5,011,347			6,171,884	5,011,347
Unrestricted	<u>11,361,795</u>	<u>8,889,050</u>	<u>14,439,474</u>	<u>13,095,617</u>	<u>25,801,269</u>	<u>21,984,667</u>
Total net position	<u>\$ 97,354,680</u>	<u>\$ 94,452,902</u>	<u>\$ 67,473,650</u>	<u>\$ 68,873,439</u>	<u>\$ 164,828,330</u>	<u>\$ 163,326,341</u>

Balances for the 2013 fiscal year have been restated to reflect prior period adjustments described in Note 12 to the financial statements.

CITY OF DESOTO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental activities. Net position increased by \$2,901,778 in fiscal year 2014. This is compared to an increase of \$88,582 in fiscal year 2013. During the current year, there were increase in charges for service, operating grants and contributions, property taxes and miscellaneous income. Government expenses outside of the correction increase slightly in General Government and Information Technology.

Business-type activities. Net position decreased by (\$1,399,789) in the current year compared to a \$511,991 increase in fiscal year 2013. The decrease in net position as compared to prior year is contributable to the increase in expenses related to capital outlay for the multi-year meter replacement program; for repairs to Ten Mile Creek; purchase of sanitary sewer services and depreciation expense.

City of DeSoto's Changes in Net Position

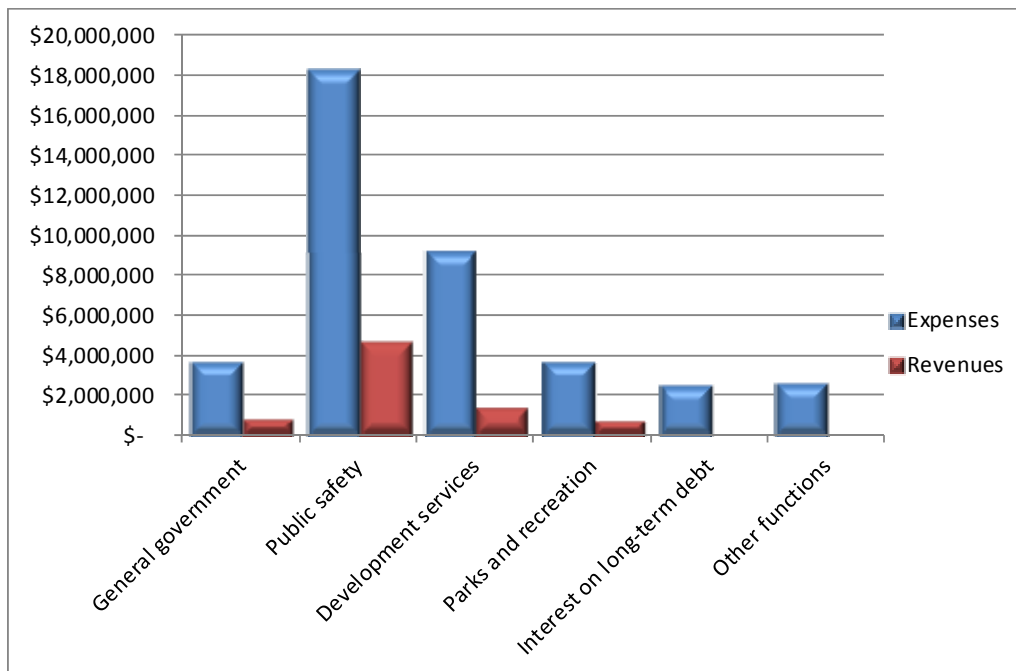
	Governmental Activities		Business Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for services	\$ 6,626,397	\$ 5,478,517	\$ 22,022,491	\$ 21,869,525	\$ 28,648,888	\$ 27,348,042
Operating grants and contributions	964,431	769,145	-	-	964,431	769,145
Capital grants and contributions	1,787	376,468	-	137,750	1,787	514,218
General Revenues:						
Property taxes	21,730,242	21,165,572	-	-	21,730,242	21,165,572
Other local taxes	10,364,530	9,692,747	-	-	10,364,530	9,692,747
Interest income	61,154	74,177	73,888	68,425	135,042	142,602
Miscellaneous	956,714	346,503	-	-	956,714	346,503
Total revenues	40,705,255	37,903,129	22,096,379	22,075,700	62,801,634	59,978,829
Expenses						
General government	3,689,262	4,054,193			3,689,262	4,054,193
Public Safety	18,322,046	17,789,694			18,322,046	17,789,694
Development services	9,201,069	8,878,903			9,201,069	8,878,903
Financial services	397,475	492,164			397,475	492,164
Municipal court	541,705	456,592			541,705	456,592
Information technology	428,672	306,289			428,672	306,289
Human resources	290,303	246,211			290,303	246,211
Parks and recreation	3,683,337	3,899,590			3,683,337	3,899,590
Library services	919,596	892,249			919,596	892,249
Interest on long-term debt	2,453,548	2,634,793			2,453,548	2,634,793
Water and sewer			15,982,382	14,061,689	15,982,382	14,061,689
Storm drainage			1,594,527	1,970,730	1,594,527	1,970,730
Sanitation			3,795,723	3,695,159	3,795,723	3,695,159
Total Expenses	39,927,013	39,650,678	21,372,632	19,727,578	61,299,645	59,378,256
Increase (decrease) in net position						
before transfers	778,242	(1,747,549)	723,747	2,348,122	1,501,989	600,573
Transfers	2,123,536	1,836,131	(2,123,536)	(1,836,131)	-	-
Change in net position	2,901,778	88,582	(1,399,789)	511,991	1,501,989	600,573
Net position - beginning (as restated)	94,452,902	94,364,320	68,873,439	68,361,448	163,326,341	162,725,768
Net position - ending	\$ 97,354,680	\$ 94,452,902	\$ 67,473,650	\$ 68,873,439	\$ 164,828,330	\$ 163,326,341

Balances for the 2013 fiscal year have been restated to reflect prior period adjustments described in Note 12 to the financial statements.

CITY OF DESOTO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Analysis of the City's Operations. The following table provides a summary of the City's operations for the year ended September 30, 2014. Overall, the City had an increase in net position of \$1,501,989 . Overall revenue increases over prior year and expenses were relatively unchanged.

Expense and Program Revenues - Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

At the end of the 2014 fiscal year, the City's governmental funds reported combined ending fund balances of \$21,101,864, an increase of \$544,032 from the prior year. Approximately 63% of this total amount is available for spending at the City's discretion. A portion of the remaining fund balance \$7,082,454 is not available for new spending because it is restricted to pay for 1) street improvements and capital projects 2) debt service 3) public safety grants and 4) economic development projects.

General Fund. The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$13,395,310, while the total fund balance was \$13,438,064. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance to total expenditures. Unassigned fund balance represents 44% of the general fund expenditures.

CITY OF DESOTO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The final budget for fiscal year 2014 reflected a \$948,723 drawdown of fund balance, while still providing for a sufficient reserve balance. The actual change in fund balance was an increase of \$2,801,803. Contributing factors was the realization of revenues \$2,851,259 over the budgeted amounts and overall expenditures \$885,506 under budgeted amounts. Key factors affecting fund balance are as follows:

- Total General Fund revenues of \$31,715,866 were increased from FY 2013 by \$2,914,008.
 - o Property tax revenue increased \$688,213 from FY 2013 actuals.
 - o Franchise fees increased by \$178,008, while sales tax revenue increases by \$458,937.
 - o Intergovernmental revenue increased by \$52,412.
 - o Charges for services increased by \$104,430 while Recreation service fees decreased by \$16,444.
 - o Fines and forfeitures increased by \$511,552.
 - o Licenses and permits increased by 376,731.
 - o Miscellaneous revenue increased by 589,550.
- Total General Fund expenditures of \$30,579,788 were increased from FY 2013 by \$2,174,661.
 - o General Government decreased by \$890,599 while Development Services expenditures increased by \$1,402,275 due to additional personnel and increased energy costs for facility maintenance while human resource expenditures increased by \$50,082.
 - o Total public safety expenditures increased by \$450,575, primarily due to an increase in personnel and related costs and equipment purchases.
 - o In the current year, the Municipal Court became it own department with the Municipal Judge as its director. Therefore the Finance expenditures will decrease and the Municipal Court will increase. The overall increase of the two departments relates to increased costs for personnel and personnel related expenditures.
 - o Non-departmental expenditures increased by \$432,531 over prior year for expenditures related to the November 2014 bond election and reconciled encumbrances.
 - o Parks and recreation services expenditures decreased by \$206,423 over FY 2013 due to internal change in reporting of facility maintenance personnel and operations to the development services area.
 - o Capital outlay actual expenditures increased by \$485,321 in FY 2014 to fund replacement roof and air conditioner for the Police building and the beginning of the telephone system replacement and upgrade project.

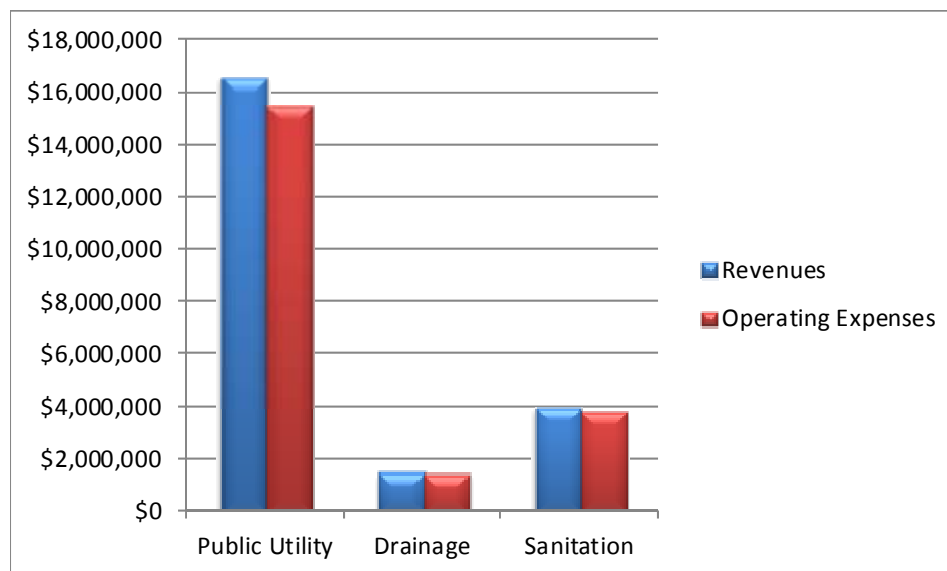
The actual revenues of \$31,715,866 were more than the budgeted revenues by \$2,851,259. Recreation service fees and investment earnings did not meet the budgeted amount. Other areas such as property taxes and franchise fees, sales taxes, license and permits, and charges for services exceeded the budgeted amount to offset these amounts. The actual expenditures of \$30,579,788 were \$2,757,343 less than the budgeted expenditures of \$32,761,148.

Debt service fund balance increased by \$876,933 due to the net effect of transfers in from other funds.

The fund balance of the Street Improvement fund decreased by \$3,259,715 due to the progression of various street improvement projects in 2014 that were identified in the five-year capital improvement plan.

CITY OF DESOTO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Expenses and Revenues for Business-type Activities



Proprietary Funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net position of the respective proprietary funds are Public Utility – \$10,660,738 , Storm Drainage –\$2,024,607, and Sanitation – \$1,754,129. The net position for the Public Utility fund decreased (\$1,456,953); Storm Drainage decreased (\$106,134) and Sanitation increased \$163,298 . The overall change in net position for business-type activities decreased by (\$1,399,789) which is a decrease of (\$1,911,780) from the FY 2013 change in net position of \$511,991 . Public Utility Fund revenues increased slightly with the volume rate increase. Overall Utility operating revenues of \$22,022,491 reflected an increase of \$152,966 or an increase of .70% compared to FY 2013. Utility operating expenses of \$20,736,441 reflected an increase of \$1,659,016 or an increase of 8.69% over FY 2013. Significant increases in expenses were related to an increase in wastewater treatment expenses, repair and maintenance activities, refuse collection and an accelerated purchase of electronic water meters during FY 2014. Overall, business-type depreciation expense increased by \$211,322 over prior year.

CITY OF DESOTO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Capital Assets and Debt Administration

Capital assets

At the end of fiscal year 2014, the City had \$203.7 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, and water and sewer lines. This amount represents a net decrease of \$6.5 million from the prior fiscal year.

City of DeSoto's Capital Assets (in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 4,352	\$ 4,216	\$ 945	\$ 945	\$ 5,297	\$ 5,161
Street/Alley ROW	14,073	14,073	-	-	14,073	14,073
Construction in progress	7,893	5,304	5,992	8,308	13,885	13,612
Buildings	24,860	25,078	-	-	24,860	25,078
Infrastructure	87,403	91,935	55,574	54,683	142,977	146,618
Equipment and furniture	1,954	2,201	620	490	2,574	2,691
	<u>\$ 140,535</u>	<u>\$ 142,807</u>	<u>\$ 63,131</u>	<u>\$ 64,426</u>	<u>\$ 203,666</u>	<u>\$ 207,233</u>

Major capital asset events during the 2014 fiscal year include the following:

- **2013 Street Reconstruction:** The scope of work consisted of pulverization of the existing asphalt, cement stabilization of the base material to a depth of 6" (inches), and the construction of a new 6" (inch) asphalt roadway. In addition, Wintergreen Road from Westmoreland Road to the West City Limit Line received a 2" Mill and Overlay treatment to extend the life of the road. The selected streets for this project were: Ray Andra Drive (Davis Street to Pleasant Run Road), Link Lane (Rickey Canyon Avenue to Ida Bess Avenue), Rickey Canyon Avenue (Chattey Road to speed limit sign), Wintergreen Road (Westmoreland Road to City Limits), Westmoreland Road (Wintergreen Road to bridge) and Spinner Road. The estimated capitalized cost for this project is \$604,000.
- **2013 R&R Phase 2:** The scope of work consisted of replacing clay tile sewer lines and cast iron water lines with varying degrees of deterioration with Polyvinyl Chloride (PVC) pipe. In addition, water service lines will be replaced (City side of the meters) and sewer lines will be replaced up to the property lines with cleanouts being installed at the property line. The four locations selected for this project were Spinner Circle, Woodbrook Drive, Las Casitas Apartments (Greenbrook Drive), and Gilbert Avenue. The pavement on Woodbrook Drive, Spinner Circle and Gilbert Avenue will be completely reconstructed as part of this project. The estimated capitalized cost for this project is \$1,540,000.
- **2014 Street Reconstruction:** The scope of work consisted of pulverization of the existing asphalt, cement stabilization of the base material to a depth of 6" (inches), and the construction of a new 6" (inch) asphalt roadway on Parks Drive. Melody Lane received a 2" mill and 4" overlay treatment. In addition, Hampton Road (Parkerville to Warbler) received a 2" mill and overlay treatment to extend the life of the pavement. The estimated capitalized cost for this project is \$764,000.

CITY OF DESOTO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

- Ten Mile Creek Emergency Sewer Repair: The scope of this project involved the construction of a massive gabion wall to protect the existing sanitary sewer line from future erosion. The project is located on the south side of Ten Mile Creek that is bordered on the north by Pleasant Run Road and the east by Polk Street. The estimated capitalized cost for this project is \$673,000.
- Bee Branch/Basin O Sewer Renovation Project: The scope of this project involved sanitary sewer replacement and renovation based on a completed infiltration and inflow study for Bee Branch Basin and Basin O. The estimated capitalized cost for this project is \$2,000,000.

Additional information on the City's capital assets can be found in Note 4 to the financial statements.

Debt Administration

City of DeSoto's Outstanding Debt
Certificates of Obligation, General Obligation, and Revenue Bonds (in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 45,570	\$ 49,253	\$ 2,944	\$ 3,392	\$ 48,514	\$ 52,645
Certificates of obligation	14,180	14,855	14,550	15,195	28,730	30,050
Notes payable	233	459	-	-	233	459
	<u>\$ 59,983</u>	<u>\$ 64,567</u>	<u>\$ 17,494</u>	<u>\$ 18,587</u>	<u>\$ 77,477</u>	<u>\$ 83,154</u>

The City has an AA rating from Fitch and an AA rating from Standard & Poor's.

Additional information on the City's long-term debt can be found in Note 5 beginning on page 44 of this report.

Economic Factors and Next Year's Budgets and Rates

The two major financing sources for general government operations: Property Tax and Sales Tax are the major areas of focus. In the coming year, an increase in general government Property Tax revenue is estimated due to the City's increase in assessed valuation for Tax Year 2014. The City's tax rate will remain the same for the fourth consecutive fiscal year at \$.7574 per \$100 valuation. The FY 2015 budget was adopted with an Operation & Maintenance tax rate of \$0.5303 and Interest and Sinking tax rate of \$0.2271, unchanged from FY2014.

Sales Tax is the second largest revenue source. In 2014, retail spending and industry taxable sales grew and the City experienced an increase in sales tax revenue. For this reason the City conservatively projected a slight increase in sales tax projections for FY 2015.

The estimates for Franchise Fees for FY 2014 actuals were consistent with prior year and exceeded budget expectations. In FY 2015 the budget for franchise fees will increase as based upon the increase in new home construction and expansion of existing commercial business. Charges for services exceeded current year budgeted revenues by \$355,684. Because this category of revenue collections can span a number of fiscal years it will be budgeted conservatively in FY 2015. Overall, budgeted revenue in the General Fund for FY 2015 increased by approximately \$331,735, which represents a 1.1% increase over the amount budgeted for fiscal year 2014.

CITY OF DESOTO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The fiscal year 2015 budget provides funding for all aspects of our service delivery. This spending plan meets the objective of maintaining the current level of services.

Because the City is a service organization, a major portion of the operating budget is allocated to employee compensation and fringe benefits. Maintaining these items at a current market rate requires that new resources be allocated annually. The increases in salary will reflect a 1% increase for eligible employees. These normal increases appear in the budget each year in addition to any potential market adjustment. Also, programmed into FY 2015 budget were additional positions to enhance services. The cost associated with salary adjustments and new positions for the General Fund for fiscal year 2015 is approximately \$695,000, an overall increase of 3.2%.

In addition to salary adjustments, in the past, we have experienced a decrease in Texas Municipal Retirement System ("TMRS") contributions. It is important to note that in fiscal year 2015 we will continue participation in TMRS, and the City's match will return to 2.0:1. In FY 2015, the actuarial rate will be 11.03%, which is a decrease of .85% from the previous fiscal year. This allows us to continue in TMRS and meet the UAAL obligation over time. All other personnel related benefit programs remain at the level reflected in the fiscal year 2015 budget.

Requests for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact the Finance Department, Attn: Assistant Finance Director, 211 E. Pleasant Run Road, DeSoto, Texas 75115, or call (972) 230-9631, or email tjordan@desototexas.gov.

BASIC FINANCIAL STATEMENTS

CITY OF DESOTO, TEXAS
STATEMENT OF NET POSITION
September 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 20,686,303	\$ 22,395,593	\$ 43,081,896
Receivables	4,293,375	2,998,781	7,292,156
Due from other funds	65,160	(65,160)	-
Due from other governmental agencies	157,943	-	157,943
Inventories	42,604	7,011	49,615
Notes receivable	1,797,003	-	1,797,003
Investment in joint ventures	1,071,028	-	1,071,028
Capital Assets:			
Non-depreciable	26,317,897	6,937,327	33,255,224
Depreciable, net	114,217,297	56,194,172	170,411,469
Total Capital Assets	140,535,194	63,131,499	203,666,693
Total Assets	168,648,610	88,467,724	257,116,334
Deferred Outflows of Resources			
Deferred charge on refunding	885,863	83,447	969,310
Total Deferred Outflows of Resources	885,863	83,447	969,310
Liabilities			
Accounts payable and accrued expenses	1,067,821	1,057,891	2,125,712
Accrued liabilities	1,427,401	135,997	1,563,398
Accrued interest	311,804	81,908	393,712
Unearned revenues	68,888	39,118	108,006
Customer deposits	-	1,399,098	1,399,098
Noncurrent liabilities:			
Due within one year	5,980,218	1,217,947	7,198,164
Due in more than one year	63,010,937	17,145,562	80,156,499
Total Liabilities	71,867,068	21,077,521	92,944,589
Deferred Inflows of Resources			
Deferred gain on bond refunding	312,725	-	312,725
Total Deferred Inflows of Resources	312,725	-	312,725
Net Position			
Net investment in capital assets	79,821,001	53,034,176	132,855,177
Restricted for:			
Debt service	4,214,311	-	4,214,311
Public safety	922,879	-	922,879
Economic development	1,034,694	-	1,034,694
Unrestricted	11,361,795	14,439,474	25,801,269
Total Net Position	\$ 97,354,680	\$ 67,473,650	\$ 164,828,330

See notes to the financial statements.

Component Units	
Desoto Parks Development Corporation	Desoto Economic Development Corporation
\$ 539,696	\$ 2,532,680
113,711	350,255
-	-
-	-
-	-
-	116,704
-	-
11,250	-
2,450,674	-
2,461,924	-
3,115,331	2,999,639
-	14,803
-	14,803
-	14,557
-	-
13,662	12,972
-	-
-	-
350,000	257,002
2,485,000	2,433,206
2,848,662	2,717,737
-	-
-	-
-	-
-	-
266,669	296,705
\$ 266,669	\$ 296,705

CITY OF DESOTO, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities:				
General government	\$ 3,689,262	\$ 332,066	\$ 451,873	\$ 1,787
Public safety	18,322,046	4,225,010	409,791	-
Development services	9,201,069	1,260,957	59,625	-
Financial services	397,475	-	-	-
Municipal court	541,705	-	23,990	-
Information technology	428,672	-	-	-
Human resources	290,303	-	-	-
Parks and recreation	3,683,337	749,215	9,454	-
Library services	919,596	59,149	9,698	-
Interest on long-term debt	2,453,548	-	-	-
Total Governmental Activities	39,927,013	6,626,397	964,431	1,787
Business-type Activities:				
Public utility	15,982,382	16,583,747	-	-
Storm drainage	1,594,527	1,483,893	-	-
Sanitation	3,795,723	3,954,851	-	-
Total Business-type Activities	21,372,632	22,022,491	-	-
Total Primary Government	\$ 61,299,645	\$ 28,648,888	\$ 964,431	\$ 1,787
Component Units				
DeSoto Parks Development Corporation	\$ 266,777	\$ -	\$ -	\$ -
DeSoto Economic Development Corporation	978,261	-	-	-
Total Component Units	\$ 1,245,038	\$ -	\$ -	\$ -

General revenues:

Taxes:

Property taxes

Franchise and other taxes

Sales taxes

Hotel occupancy

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net Position - beginning

Prior period adjustments

Net Position - ending

See notes to the financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	DeSoto Park Development Corporation	DeSoto Development Corporation
\$ (2,903,536)	\$ -	\$ (2,903,536)	\$ -	\$ -
(13,687,245)	-	(13,687,245)	-	-
(7,880,487)	-	(7,880,487)	-	-
(397,475)	-	(397,475)	-	-
(517,715)	-	(517,715)	-	-
(428,672)	-	(428,672)	-	-
(290,303)	-	(290,303)	-	-
(2,924,668)	-	(2,924,668)	-	-
(850,749)	-	(850,749)	-	-
(2,453,548)	-	(2,453,548)	-	-
(32,334,398)	-	(32,334,398)	-	-
-	601,365	601,365	-	-
-	(110,634)	(110,634)	-	-
-	159,128	159,128	-	-
-	649,859	649,859	-	-
(32,334,398)	649,859	(31,684,539)	-	-
			(266,777)	-
			-	(978,261)
21,730,242	-	21,730,242	-	-
3,024,987	-	3,024,987	-	-
6,548,886	-	6,548,886	545,741	1,637,222
790,657	-	790,657	-	-
61,157	73,888	135,045	860	11,723
956,711	-	956,711	-	-
2,123,536	(2,123,536)	-	-	-
35,236,176	(2,049,648)	33,186,528	546,601	1,648,945
2,901,778	(1,399,789)	1,501,989	279,824	670,684
97,336,906	68,873,439	166,210,345	(13,155)	(373,979)
(2,884,004)	-	(2,884,004)	-	-
\$ 97,354,680	\$ 67,473,650	\$ 164,828,330	\$ 266,669	\$ 296,705

CITY OF DESOTO, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2014

	General Fund	Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 13,052,084	\$ 2,531,582	\$ 5,102,637	\$ 20,686,303
Receivables, net:				
Taxes	1,946,347	254,533	107,289	2,308,169
Due from other governments	148,812	-	8,905	157,717
Accounts	1,901,637	-	83,419	1,985,056
Due from component unit	226	-	-	226
Due from other funds	107,496	-	-	107,496
Inventories	42,604	-	-	42,604
Prepaid items	150	-	-	150
Note receivable	-	1,740,000	57,003	1,797,003
Total Assets	\$ 17,199,356	\$ 4,526,115	\$ 5,359,253	\$ 27,084,724
Liabilities, Deferred Inflows and Fund Balances				
Liabilities:				
Accounts payable	\$ 936,968	\$ -	\$ 130,853	\$ 1,067,821
Accrued liabilities	1,379,192	-	48,209	1,427,401
Due to other funds	-	-	42,336	42,336
Unearned revenues	62,763	-	6,125	68,888
Total Liabilities	2,378,923	-	227,523	2,606,446
Deferred Inflows of Resources:				
Unavailable revenue	1,382,369	1,994,045	-	3,376,414
Total Deferred Inflows	1,382,369	1,994,045	-	3,376,414
Fund Balances:				
Nonspendable:				
Inventories and prepaid items	42,754	-	-	42,754
Note receivable	-	-	57,003	57,003
Restricted:				
Debt service	-	2,532,070	-	2,532,070
Street improvements	-	-	2,592,811	2,592,811
Public safety	-	-	922,879	922,879
Economic development	-	-	1,034,694	1,034,694
Committed:				
Public health	-	-	18,370	18,370
Development	-	-	258,979	258,979
Assigned:				
Capital projects	-	-	246,994	246,994
Unassigned	13,395,310		-	13,395,310
Total Fund Balances	13,438,064	2,532,070	5,131,730	21,101,864
Total Liabilities, Deferred Inflows and Fund Balances	\$ 17,199,356	\$ 4,526,115	\$ 5,359,253	\$ 27,084,724

See notes to the financial statements.

CITY OF DESOTO, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2014

Total fund balance, governmental funds \$ 21,101,864

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 140,535,194

Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Bonds and certificates of obligation payable	(59,750,481)
Note payable	(233,105)
Capital leases payable	(336,989)
Compensated absences	(4,455,662)
Accrued interest payable	(311,804)

Unavailable revenues in the governmental fund statements is recognized as revenue in the government-wide financial statements. 3,376,414

Deferred gain on refunding	(312,725)
Deferred loss on refunding	885,863

Certain other long-term assets and liabilities are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Investment in joint venture	1,071,028
Net pension obligation	(598,347)
Unamortized premium on bonds	(3,616,570)

Net Position of Governmental Activities in the Statement of Net Position \$ 97,354,680

See notes to the financial statements.

CITY OF DESOTO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	General Fund	Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 15,164,528	\$ 6,545,405	\$ -	\$ 21,709,933
Sales taxes	6,548,886	-	-	6,548,886
Franchise fees and other	3,024,987	-	-	3,024,987
Hotel occupancy tax			790,657	790,657
Fines and forfeitures	1,444,240	-	76,532	1,520,772
Licenses and permits	1,248,422	-	-	1,248,422
Intergovernmental	514,681	358,200	1,388,198	2,261,079
Charges for services	2,258,134	-	25,273	2,283,407
Investment earnings	45,849	1,827	13,481	61,157
Recreation services	731,655	-	-	731,655
Miscellaneous	734,481	-	47,324	781,805
Total Revenues	<u>31,715,863</u>	<u>6,905,432</u>	<u>2,341,465</u>	<u>40,962,760</u>
Expenditures				
Current:				
General government	863,495	-	396,606	1,260,101
Public safety:				
Police	8,548,917	-	998,478	9,547,395
Fire	6,937,625	-	8,124	6,945,749
Development services	4,451,827	-	1,625,855	6,077,682
Financial services	330,271	-	-	330,271
Municipal court	476,956	-	48,093	525,049
Information technology	402,041	-	-	402,041
Human resources	288,934	-	-	288,934
Parks and recreation	2,845,805	-	36,667	2,882,472
Library services	896,324	-	-	896,324
Non-departmental	3,084,050	-	-	3,084,050
Debt service:				
Principal	272,272	4,357,804	-	4,630,076
Interest and other charges	24,650	2,618,423	-	2,643,073
Capital outlay	<u>1,156,621</u>	<u>-</u>	<u>1,983,611</u>	<u>3,140,232</u>
Total Expenditures	<u>30,579,788</u>	<u>6,976,227</u>	<u>5,097,434</u>	<u>42,653,449</u>
Excess (deficiency) of revenues over expenditures	<u>1,136,075</u>	<u>(70,795)</u>	<u>(2,755,969)</u>	<u>(1,690,689)</u>
Other Financing Sources (Uses)				
Issuance of long-term debt	75,000	-	-	75,000
Sale of capital assets	36,185	-	-	36,185
Transfers in	2,135,567	947,728	581,809	3,665,104
Transfers out	(581,024)	-	(960,544)	(1,541,568)
Total Other Financing Sources (Uses)	<u>1,665,728</u>	<u>947,728</u>	<u>(378,735)</u>	<u>2,234,721</u>
Net change in fund balances	2,801,803	876,933	(3,134,704)	544,032
Fund balances - beginning	<u>10,636,261</u>	<u>1,655,137</u>	<u>8,266,434</u>	<u>20,557,832</u>
Fund balances - ending	<u>\$ 13,438,064</u>	<u>\$ 2,532,070</u>	<u>\$ 5,131,730</u>	<u>\$ 21,101,864</u>

See notes to the financial statements.

CITY OF DESOTO, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

Net change in fund balances - total governmental funds: \$ 544,032

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlay	4,766,088
Depreciation expense	(7,037,885)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

Unavailable tax and emergency management revenues	(28,690)
Change in equity interest of joint venture	(104,644)

Governmental funds report proceeds from long-term debt as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of long-term debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.

Debt service principal	4,630,076
Proceeds from issuance of long-term debt	(75,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

(Increase) decrease in accrued interest	19,593
(Increase) decrease in net pension obligation	(4,534)
(Increase) decrease in compensated absences	(131,759)
(Increase) decrease in retainage payable	79,569
Amortization of deferred loss on refunding	(107,605)
Amortization of deferred gain on refunding	28,430
Amortization/accretion of premium on bonds	324,107

Change in net position of governmental activities	\$ 2,901,778
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See notes to the financial statements.

CITY OF DESOTO, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2014

	Business-type Activities - Enterprise Funds			
	Public Utility	Drainage	Sanitation	Total
Assets				
Current assets				
Cash and investments	\$ 18,775,230	\$ 1,892,895	\$ 1,727,468	\$ 22,395,593
Accounts receivable, net	2,404,004	147,111	447,666	2,998,781
Inventories	7,011	-	-	7,011
Total current assets	21,186,245	2,040,006	2,175,134	25,401,385
Non-current assets				
Capital assets:				
Land	283,902	341,196	320,087	945,185
Construction in progress	5,613,931	378,211	-	5,992,142
Improvements	9,524,634	4,965,680	548,503	15,038,817
Water and sewer systems	78,982,897	-	-	78,982,897
Drainage systems	-	12,246,244	-	12,246,244
Equipment and furniture	1,522,312	81,587	231,585	1,835,484
Accumulated depreciation	(45,535,172)	(6,126,742)	(247,356)	(51,909,270)
Total non-current assets	50,392,504	11,886,176	852,819	63,131,499
Total Assets	71,578,749	13,926,182	3,027,953	88,532,884
Deferred Outflows of Resources				
Deferred loss on bond refunding	-	83,447	-	83,447
Total Deferred Outflows of Resources	-	83,447	-	83,447
Liabilities				
Current Liabilities				
Accounts payable	773,925	11,520	272,446	1,057,891
Accrued liabilities	109,238	14,719	12,040	135,997
Accrued interest	62,985	18,923	-	81,908
Unearned revenue	3,320	-	35,798	39,118
Customer deposits	1,399,098	-	-	1,399,098
Due to other funds	-	-	65,160	65,160
Compensated absences	60,696	12,838	7,077	80,611
Bonds payable	625,000	512,336	-	1,137,336
Total Current Liabilities	3,034,262	570,336	392,521	3,997,119
Non-current Liabilities				
Compensated absences	182,085	38,515	21,232	241,832
Bonds payable	13,365,767	3,489,251	-	16,855,018
TMRS net pension obligation	39,129	2,331	7,252	48,712
Total Non-current Liabilities	13,586,981	3,530,097	28,484	17,145,562
Total Liabilities	16,621,243	4,100,433	421,005	21,142,681
Net Position				
Net investment in capital assets	44,296,768	7,884,589	852,819	53,034,176
Unrestricted	10,660,738	2,024,607	1,754,129	14,439,474
Total Net Position	\$ 54,957,506	\$ 9,909,196	\$ 2,606,948	\$ 67,473,650

See notes to the financial statements.

CITY OF DESOTO, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2014

	Business-type Activities - Enterprise Funds			
	Public Utility	Drainage	Sanitation	Total
Revenues				
Charges for services	\$ 16,583,747	\$ 1,483,893	\$ 3,954,851	\$ 22,022,491
Total Revenues	<u>16,583,747</u>	<u>1,483,893</u>	<u>3,954,851</u>	<u>22,022,491</u>
Operating Expenses				
Personnel costs	1,751,906	296,777	206,559	2,255,242
Water supply	3,944,833	-	-	3,944,833
Wastewater treatment	4,178,905	-	-	4,178,905
Refuse collection	-	-	2,767,011	2,767,011
Administrative charges	1,269,164	102,673	500,000	1,871,837
Contractual services	242,782	28,410	133,685	404,877
Repairs and maintenance	1,469,522	325,767	88,628	1,883,917
Materials and supplies	175,090	22,203	35,327	232,620
Other	198,222	335	469	199,026
Depreciation	2,240,547	693,582	64,044	2,998,173
Total Operating Expenses	<u>15,470,971</u>	<u>1,469,747</u>	<u>3,795,723</u>	<u>20,736,441</u>
Operating income (loss)	<u>1,112,776</u>	<u>14,146</u>	<u>159,128</u>	<u>1,286,050</u>
Non-Operating Revenues (Expenses)				
Investment earnings	65,218	4,500	4,170	73,888
Interest expense	(511,411)	(124,780)	-	(636,191)
Total Non-Operating Revenues (Expenses)	<u>(446,193)</u>	<u>(120,280)</u>	<u>4,170</u>	<u>(562,303)</u>
Income (loss) before transfers	666,583	(106,134)	163,298	723,747
Transfers out	<u>(2,123,536)</u>	<u>-</u>	<u>-</u>	<u>(2,123,536)</u>
Change in net position	(1,456,953)	(106,134)	163,298	(1,399,789)
Total Net Position - beginning	<u>56,414,459</u>	<u>10,015,330</u>	<u>2,443,650</u>	<u>68,873,439</u>
Total Net Position - ending	<u>\$ 54,957,506</u>	<u>\$ 9,909,196</u>	<u>\$ 2,606,948</u>	<u>\$ 67,473,650</u>

See notes to the financial statements.

CITY OF DESOTO, TEXAS
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2014

	Business-type Activities - Enterprise Funds			
	Public Utility	Drainage	Sanitation	Total
Cash flows from operating activities				
Receipts from customers	\$ 16,679,528	\$ 1,493,975	\$ 3,981,846	\$ 22,155,349
Payments to suppliers	(11,186,633)	(781,669)	(3,543,776)	(15,512,078)
Payments to employees	(1,686,994)	(279,927)	(200,085)	(2,167,006)
Net cash provided (used) by operating activities	3,805,901	432,379	237,985	4,476,265
Cash flows from noncapital financing activities				
Interfund advances	-	-	65,160	65,160
Transfers out to other funds	(2,123,536)	-	-	(2,123,536)
Net cash provided (used) by noncapital financing activities	(2,123,536)	-	65,160	(2,058,376)
Cash flows from capital and related financing activities				
Acquisition and construction of property, plant and equipment	(1,843,577)	(98,749)	(93,432)	(2,035,758)
Principal paid on long-term debt	(447,196)	(645,000)	-	(1,092,196)
Interest paid on long-term debt	(527,434)	(163,367)	-	(690,801)
Net cash provided (used) by capital and related financing activities	(2,818,207)	(907,116)	(93,432)	(3,818,755)
Cash flows from investing activities				
Interest received	65,218	4,500	4,169	73,887
Net cash provided (used) by investing activities	65,218	4,500	4,169	73,887
Net increase (decrease) in cash and cash equivalents	(1,070,624)	(470,237)	213,882	(1,326,979)
Cash and cash equivalents, beginning	19,845,854	2,363,132	1,513,586	23,722,572
Cash and cash equivalents, ending	\$ 18,775,230	\$ 1,892,895	\$ 1,727,468	\$ 22,395,593

See notes to the financial statements.

(continued)

CITY OF DESOTO, TEXAS
COMBINING STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
For the Year Ended September 30, 2014

	Business-type Activities - Enterprise Funds			
	Public Utility	Drainage	Sanitation	Total
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,112,776	\$ 14,146	\$ 159,128	\$ 1,286,050
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	2,240,547	693,582	64,044	2,998,173
Change in assets and liabilities:				
Decrease (increase) in customer receivable	16,291	10,082	(8,803)	17,570
Decrease (increase) in inventory	(985)	-	-	(985)
Increase (decrease) in accounts payable	278,215	(303,698)	(18,260)	(43,743)
Increase (decrease) in accrued liabilities	14,655	1,417	(396)	15,676
Increase (decrease) in customer deposits	3,320	-	35,798	39,118
Increase (decrease) in unearned revenue	76,170	-	-	76,170
Increase (decrease) in compensated absences	64,912	16,850	6,474	88,236
Total adjustments	2,693,125	418,233	78,857	3,190,215
Net cash provided (used) by operating activities	\$ 3,805,901	\$ 432,379	\$ 237,985	\$ 4,476,265

See notes to the financial statements.

(concluded)

CITY OF DESOTO, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
For the Year Ended September 30, 2014

	Balance 9/30/13	Additions	Deductions	Balance 09/30/14
Southwest Regional Communications Center				
Assets				
Cash and cash equivalents	750,293	\$ 2,808,324	\$ 2,756,625	801,992
Total assets	<u>\$ 750,293</u>	<u>\$ 2,808,324</u>	<u>\$ 2,756,625</u>	<u>\$ 801,992</u>
Liabilities				
Due to Southwest Regional Communications Center	750,293	\$ 2,808,324	\$ 2,756,625	801,992
Total liabilities	<u>\$ 750,293</u>	<u>\$ 2,808,324</u>	<u>\$ 2,756,625</u>	<u>\$ 801,992</u>

See notes to financial statements.

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

Note 1. Summary of Significant Accounting Policies

The City of DeSoto (the “City”) was incorporated in 1949. The City operates as a home-rule City under a council-manager form of government with a mayor and six City Council members elected at large. The City provides the following services as authorized by its charter: public safety (police and fire), streets, water, sewer and drainage utilities, solid waste operations, public library, parks and recreation, public improvements, planning, zoning and code enforcement, and general administrative services.

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America for local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting and reporting policies:

A. Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations and are appropriately presented as funds of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City.

Based on these criteria, the financial information of the following entities have been blended or discretely presented within the financial statements.

Blended component units.

Health Facilities Development Corporation – The City created the Corporation to assist the maintenance of public health within the City. The Corporation’s governing body is the same as the governing body of the City. The Corporation is authorized to sell bonds. Operational responsibility of the Health Facilities Development Corporation lies with City management. Upon dissolution of the Corporation, the assets of the Corporation shall be distributed to the City.

Housing Finance Corporation – The City created the Corporation to carry out the purposes of the Texas Housing Finance Corporations Act within the City. The Corporation’s governing body is the same as the governing body of the City. There are seven directors. The Corporation is authorized to sell bonds. Operational responsibility of the Housing Finance Corporation lies with City management. Upon dissolution of the Corporation, title to or other interests in any real or personal property owned by the Corporation shall vest in the City.

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Industrial Development Authority, Inc. – The City created the Corporation for the purposes of promoting and developing commercial, industrial, manufacturing and medical research enterprises to promote and encourage employment, public health and public welfare within the City. The Corporation's governing body is the same as the governing body of the City and operational responsibility lies with City management. The Corporation is authorized to sell bonds. Upon dissolution of the Corporation, the assets of the Corporation shall be distributed to the City.

Discretely presented component units.

DeSoto Economic Development Corporation – The Corporation was created for the purpose of promoting economic development within the City. There are five directors, all appointed by the City Council. All directors are residents of the City. Each director serves a three-year staggered term. The Corporation is authorized to borrow funds and issue bonds with City Council approval.

DeSoto Parks Development Corporation – The Corporation was created for the purpose of promoting parks within the City. There are seven directors, all appointed by the City Council. All directors are residents of the City. Each director serves a two-year staggered term. The Corporation is authorized to issue bonds for public parks and park facilities projects with City Council approval.

Separate financial statements are not issued for the DPDC, the Health Facilities Development Corporation, the Housing Finance Corporation and the Industrial Development Authority. Complete financial statements are issued by the DEDC and can be obtained from:

DeSoto Economic Development Corporation
211 E. Pleasant Run Road
DeSoto, Texas 75115

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its discretely presented component units.

All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, transactions between governmental and business-type activities have not been eliminated.

Governmental activities, which are normally supported by property, sales and franchise taxes, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Significant revenues generated from business-type activities include: charges to customers for water and wastewater services, municipal drainage services and charges for solid waste services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1. Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements (continued)

This statement demonstrates the degree to which the direct expenses of a given function of government are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function of City government. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues in the statement of activities.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In addition to the government-wide financial statements, the City also reports separate financial statements for governmental funds, proprietary funds, and fiduciary funds; these statements are classified as fund financial statements. The fund financial statements are organized on the basis funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the City. This fund is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund – This fund accounts for the accumulation of resources (primarily property tax levies) for the payment of principal, interest and related costs of general long-term debt.

The City reports the following major proprietary funds:

Public Utility Fund – This fund accounts for water and wastewater system services provided for residents and businesses of the City, including administration, operations, maintenance, debt service, billing and collection.

Drainage Fund – This fund accounts for the operation of the Drainage Utility and provides funding for drainage capital improvements, and enhanced maintenance of the drainage system.

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Sanitation Fund – This fund accounts for revenues and expenses of solid waste operations. Revenues are generated through user charges. This fund also funds additional services for litter control and median beautification, street sweeping and household hazardous waste collection.

Additionally, the government reports the following fund type:

Agency Fund – This fund reports cash and investments held by the City on behalf of the Southwest Regional Communications Center.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. With the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) are reported on the Statement of Net Position.

The *agency funds* are used to account for resources held for others in a custodial capacity. The most significant of these funds are as follows:

- Southwest Regional Communications Center Agency Fund - used to account for cash and investments held on behalf of the Southwest Regional Communications Center joint project.

As a general rule, except for interfund services provided and used which are not eliminated in the process of consolidation, the effect of other interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers for goods or services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary operating are charges to customers for sales and services. All revenues and expenses that do not meet this definition are reported as non-operating revenues and expenses. Unbilled receivables for water and sewer services are recorded at year-end.

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Trust funds employ the same economic resources measurement focus and accrual basis of accounting as described for proprietary funds. Since agency funds report only assets and liabilities, they have no measurement focus.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available. Measurable means the amount of the transaction can be determined. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the fiscal year-end. Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, with the exception of principal and interest on general long-term debt, and liabilities for accrued compensated absences and arbitrage rebate, which are recognized when due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary operations are charges to customers for sales and services. All revenues and expenses that do not meet this definition are reported as non-operating revenues and expenses. Unbilled receivables for water and sewer services are recorded at year-end.

There is one fiduciary fund which is an Agency Fund. Agency Funds represent funds held in an agency capacity of the Southwest Regional Communication Center. These funds are monies held by the City related to the operation of the regional dispatch center, a joint venture of the City. These funds do not belong to the City. Agency funds do not have a measurement focus.

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance

Investments

The City follows the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" ("Statement"). Those provisions require that certain investments be reported at fair value, rather than at cost or amortized cost, and that the changes in the fair value of investments be recognized as investment revenue. The Statement further provides that the City has the option of continuing to report certain investments at cost or amortized cost but must disclose its policy in this regard. In accordance with GASB Statement No. 31, the City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Non-negotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act") Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the fair value of its underlying investment portfolio within one-half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Property Taxes

Ad valorem taxes are levied from valuations assessed as of January 1 and are recognized as revenue beginning on the date of levy, October 1, when they become available. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Taxes not expected to be collected within 60 days of the fiscal year are recorded as deferred revenue and is recognized when it becomes available. Taxes collected prior to the levy date to which they apply are recorded as deferred revenue and recognized as revenue of the period to which they apply. Current taxes are due on October 1, and become delinquent if unpaid on February 1 and are turned over to the City Attorney for collection on July 1. Delinquent property taxes attach as an enforceable lien on property as of January 1. For the year ended September 30, 2014, the City had a tax rate of \$.7574 per \$100, of which \$.5303 was allocated for general government, and \$.2271 was allocated for payment of principal and interest on governmental activities long-term debt.

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance

Receivables

Taxes and accounts receivable are shown net of an allowance for uncollectible. Accounts receivable in excess of 90 days comprise the allowance for uncollectible. The property tax receivable allowance is equal to 10 percent of outstanding property taxes at September 30, 2014.

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Inventory

Inventories are valued at cost, using the first-in, first-out method. The City utilizes the consumption method to recognize inventory usage. Under the consumption method, inventories are recorded as expenses when used rather than when purchased.

Capital Assets

Capital assets, which include land, buildings, infrastructure, improvements, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are valued at their fair value on the date donated. Repairs and maintenance are recorded as expenses. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Assets capitalized have an original cost of \$5,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Asset	Years
Infrastructure, water and sewer system, and water line replacements	10-50
Buildings	32
Equipment and furniture	3-10
Capital lease equipment	shorter of 5 years or lease term

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)

Compensated Absences

The City permits employees to accumulate to certain limits unused vacation, sick leave and compensatory time. For civilian and police employees, unused vacation leave may be accumulated to a maximum of 320 hours and unused sick leave may be accumulated to a maximum of 720 hours. For firefighters, unused vacation leave may be accumulated to a maximum of 480 hours and unused sick leave may be accumulated to a maximum of 1,080 hours. GASB Interpretation No. 6 indicates that liabilities for compensated absences are normally expected to be liquidated with expendable available financial resources and should be recognized as governmental fund liabilities to the extent that they mature each period. Accrued compensated absences are reported in the respective columns in the government-wide financial statements and in the proprietary fund financial statements when earned. Compensated absences are reported in governmental funds only if they have matured.

Long-term Debt

In the government-wide financial statements, and the proprietary fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds if material in amount. In the governmental fund financial statements, bond premiums and discounts are recognized during the current period. The face amount of debt is recorded as other financing sources. Bond premiums and discounts are recorded as other financing sources and uses.

Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund reimbursed. All other interfund transactions, except interfund services provided and used, are recorded as transfers.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City is reporting balances for deferred losses on bond refundings in both the government-wide Statement of Net Position and the Statement of Net Position – Proprietary Funds. A deferred loss on a bond refunding results when the reacquisition price of the refunded debt exceeds the carrying value. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City only has one type of item in the government-wide financial statements to report in this category. The City is reporting balances for deferred gains on bond refundings in the government-wide Statement of Net Position. A deferred gain on a bond refunding results when the carrying value of the refunded debt exceeds the reacquisition price.

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)

This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Additionally, the City has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Property taxes	\$ 572,875	\$ 254,045	\$ 826,920
Court fines and fees receivable	348,838	-	348,838
Ambulance	437,896	-	437,896
Alarm permits	22,760	-	22,760
Note receivable	-	1,740,000	1,740,000
Total	<u>\$ 1,382,369</u>	<u>\$ 1,994,045</u>	<u>\$ 3,376,414</u>

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. The City Council delegates the authority for determining this intent to the City Manager. Assignments are made at the City Manager's discretion, but generally represent items for which specific funds have been informally dedicated internally. This classification also includes the remaining positive fund balance for all governmental funds except the General Fund.

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on the use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2. Cash and Investments

The City's investments at September 30, 2014, are as follows:

	Cash on Hand and Deposits	Municipal Bonds	Local Government Investment Pools	Certificates of Deposit	Total
Governmental Activities:					
General Fund	\$ 3,992,892	\$ 1,042,700	\$ 2,016,492	\$ 6,000,000	13,052,084
Debt Service Fund	2,393	-	2,529,189	-	2,531,582
Aggregate Remaining	919,385	-	2,583,252	1,600,000	5,102,637
Total Governmental Activities	<u>4,914,670</u>	<u>1,042,700</u>	<u>7,128,933</u>	<u>7,600,000</u>	<u>20,686,303</u>
Business-type Activities:					
Public Utility	6,214,065	-	2,461,165	10,100,000	18,775,230
Drainage	1,642,474	-	50,421	200,000	1,892,895
Sanitation	1,227,468	-	-	500,000	1,727,468
Total Business-type Activities	<u>9,084,007</u>	<u>-</u>	<u>2,511,586</u>	<u>10,800,000</u>	<u>22,395,593</u>
Fiduciary Funds					
Southwest Regional Communications Center	801,992	-	-	-	801,992
Total Primary Government	<u>14,800,669</u>	<u>1,042,700</u>	<u>9,640,519</u>	<u>18,400,000</u>	<u>43,883,888</u>
Component Units:					
Desoto Parks Development Corporation	531,660	-	8,036	-	539,696
Desoto Economic Development Corporation	1,782,680	-	-	750,000	2,532,680
Total Fiduciary Funds	<u>2,314,340</u>	<u>-</u>	<u>8,036</u>	<u>750,000</u>	<u>3,072,376</u>
Total	<u>\$ 17,115,009</u>	<u>\$ 1,042,700</u>	<u>\$ 9,648,555</u>	<u>\$ 19,150,000</u>	<u>\$ 46,956,264</u>

Credit Risk

In compliance with the City's investment policy as of September 30, 2014, the City minimized credit risk losses due to default of a security issuer or backer by limiting investments to the safest types of securities, pre-qualifying financial institutions, brokers/dealers, and advisors with which the City does business, and diversifying the investment portfolio so that potential losses on individual securities are minimized. The following is a listing of investments held at September 30, 2014:

Investment Type:	Fair Value	Credit Quality Rating	Percentage of Investments
Local Government Investment Pools:			
TexPool	\$ 2,571,679	AAAm	8.62%
Texas CLASS	7,076,876	AAAm	23.72%
Total Local Government Investment Pools	<u>9,648,555</u>		<u>32.33%</u>
Investment Securities:			
Municipal Bonds- Dallas County Schools	1,042,700	Aa3	3.49%
Certificates of Deposit	19,150,000	N/A	64.17%
Total Investment Securities	<u>20,192,700</u>		<u>67.67%</u>
	<u>\$ 29,841,255</u>		<u>100.00%</u>

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2. Cash and Investments (continued)

Interest Rate Risk

In order to minimize risk of loss due to interest rate fluctuations, the City's investment policy states investment maturities will not exceed the anticipated cash flow requirement of the funds as follows:

Operating Funds – The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity of each security and the maximum allowable maturity shall be there for years.

Debt Service Fund – The maximum maturity for securities purchased shall not exceed the corresponding debt service payment date.

Special Purpose Funds – The maximum maturity shall not exceed five years and each fund's weighted average life shall not exceed three years.

The weighted average maturity (WAM) of the City's investments follows:

	Fair Market Value	Weighted Average Maturity (Days)	Percentage of Investments
Governmental Activities:			
Certificates of deposit	\$ 7,600,000	14	25.47%
Investments:			
Local Government Investment Pools:			
TexPool	2,563,643	51	8.59%
Texas CLASS	4,565,291	60	15.30%
Total Local Government Investment Pools	7,128,934		23.89%
Investment Securities:			
Municipal Bonds	1,042,700	793	3.49%
Total Investment Securities	1,042,700		3.49%
Total Governmental Activities	15,771,634	137	52.85%
Business-type Activities:			
Certificates of deposit	10,800,000	14	36.19%
Investments:			
Local Government Investment Pools:			
Texas CLASS	2,511,586	60	8.42%
Total Local Government Investment Pools	2,511,586		8.42%
Total Business-type Activities	13,311,586	23	44.61%
Component Units			
Certificates of deposit	750,000	14	2.51%
Investments:			
Local Government Investment Pools:			
TexPool	8,036	51	0.03%
Total Local Government Investment Pools	8,036		0.03%
Total Component Units Funds	758,036	14	2.54%
Total	\$ 29,841,256	55	100.00%

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2. Cash and Investments

Custodial Credit Risk

The City maintains a cash and investment pool that combines cash of the various funds in order to maximize investment opportunities. The City's policy and state statutes require that all deposits in financial institutions be insured by the Federal Depository Insurance Corporation (FDIC) or fully collateralized as per the Public Funds Collateral Act. The City's deposits were fully insured or collateralized as required by state statutes as of September 30, 2014.

As of September 30, 2014, all of DEDC's and DPDC's deposits were fully insured by FDIC insurance or collateralized.

Note 3. Receivables

Receivables at September 30, 2014, for the City's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Major Funds		Nonmajor	
	General	Debt Service	Governmental	Total
Receivables:				
Property taxes	\$ 637,187	\$ 282,834	\$ -	\$ 920,021
Sales tax	1,372,879	-	-	1,372,879
Hotel occupancy tax	-	-	107,289	107,289
Due from other governments	148,812	-	8,905	157,717
Court fines	3,488,386	-	-	3,488,386
Ambulance	3,224,692	-	-	3,224,692
Franchise fees	792,260	-	-	792,260
Alarm permits	162,810	-	-	162,810
Other	128,611	-	83,419	212,030
Gross receivables	9,955,637	282,834	199,613	10,438,084
Less: allowance for uncollectibles	(5,958,841)	(28,283)	-	(5,987,124)
Net total receivables	\$ 3,996,796	\$ 254,551	\$ 199,613	\$ 4,450,960
	Proprietary Funds			
	Public Utility	Drainage	Sanitation	Total
Customer accounts	2,397,497	151,449	364,347	\$ 2,913,293
Other	51,581	651	95,454	147,686
Gross receivables	2,449,078	152,100	459,801	3,060,979
Less allowance for uncollectibles	(45,074)	(4,989)	(12,135)	(62,198)
Total	2,404,004	147,111	447,666	\$ 2,998,781

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4. Capital Assets

Capital assets activity for the primary government for the fiscal year ended September 30, 2014, is as follows:

Governmental activities	Restated Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,215,801	\$ 136,102	\$ -	\$ 4,351,903
Street/Alley ROW	14,072,949	-	-	14,072,949
Construction in progress	5,304,461	3,106,311	(517,727)	7,893,045
Total capital assets, not being depreciated	23,593,211	3,242,413	(517,727)	26,317,897
Capital assets, being depreciated:				
Buildings	36,393,783	206,203	540,778	37,140,764
Infrastructure	163,592,411	738,112	(29,551)	164,300,972
Equipment and furniture	11,289,206	579,360	(244,239)	11,624,327
Total capital assets, being depreciated	211,275,400	1,523,675	266,988	213,066,063
Less accumulated depreciation for:				
Buildings	11,315,597	964,797	-	12,280,394
Infrastructure	71,657,781	5,240,436	-	76,898,217
Equipment and furniture	9,088,242	832,652	(250,739)	9,670,155
Total accumulated depreciation	92,061,620	7,037,885	(250,739)	98,848,766
Total capital assets - being depreciated	119,213,780	(5,514,210)	517,727	114,217,297
Governmental capital assets, net	\$142,806,991	\$ (2,271,797)	\$ -	\$140,535,194
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 945,186	\$ -	\$ -	\$ 945,186
Construction in progress	8,308,011	1,487,269	(3,803,138)	5,992,142
Total capital assets, not being depreciated	9,253,197	1,487,269	(3,803,138)	6,937,328
Capital assets, being depreciated:				
Water and sewer system	75,737,415	-	3,245,482	78,982,897
Drainage system	11,865,874		380,370	12,246,244
Improvements	14,891,552	147,265		15,038,817
Equipment and furniture	1,690,236	315,395	(170,147)	1,835,484
Total capital assets, being depreciated	104,185,077	462,660	3,455,705	108,103,442
Less accumulated depreciation for:				
Water and sewer system	37,666,024	1,957,373	-	39,623,397
Drainage system	2,927,066	509,055	-	3,436,121
Improvements	7,218,362	416,867		7,635,229
Equipment and furniture	1,200,586	114,878	(100,939)	1,214,525
Total accumulated depreciation	49,012,038	2,998,173	(100,939)	51,909,272
Total capital assets - being depreciated	55,173,039	(2,535,513)	3,556,644	56,194,170
Business-type capital assets, net	\$ 64,426,236	\$ (1,048,244)	\$ (246,494)	\$ 63,131,498

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4. Capital Assets (continued)

Capital assets activity for the discretely presented component units is as follows:

DeSoto Park Development Corporation:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 11,250	\$ -	\$ -	\$ 11,250
Total capital assets, not being depreciated	11,250	-	-	11,250
Capital assets, being depreciated:				
Improvements	5,324,530	-	-	5,324,530
Total capital assets, being depreciated	5,324,530	-	-	5,324,530
Less accumulated depreciation for:				
Improvements	2,723,151	150,705	-	2,873,856
Total accumulated depreciation	2,723,151	150,705	-	2,873,856
Total capital assets - being depreciated	2,601,379	(150,705)	-	2,450,674
DeSoto Park Development Corporation capital assets, net	\$ 2,612,629	\$ (150,705)	\$ -	\$ 2,461,924
DeSoto Economic Development Corporation:				
Capital assets, being depreciated:				
Furniture and equipment	\$ 69,879	\$ -	\$ -	\$ 69,879
Total capital assets, being depreciated	69,879	-	-	69,879
Less accumulated depreciation for:				
Furniture and equipment	69,879	-	-	69,879
Total accumulated depreciation	69,879	-	-	69,879
Total capital assets - being depreciated	-	-	-	-
DeSoto Economic Development Corporation capital assets, net	\$ -	\$ -	\$ -	\$ -

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4. Capital Assets (continued)

Depreciation

Depreciation expense was charged to functions/programs of the City as follows:

	Depreciation Expense
Primary government	
Governmental activities:	
General government	\$ 562,054
Public safety	754,577
Development services	4,829,256
Parks and recreation	784,461
Library services	19,171
Financial services	63,103
Information technology	25,263
Total Governmental activities	7,037,885
 Business-type activities:	
Water and sewer	2,240,547
Drainage	693,582
Sanitation	64,044
Total Business-type activities:	2,998,173
 Total primary government	 \$ 10,036,058

Construction commitments

The City has active construction projects as of September 30, 2014. At year end, the City's commitments with contractors were as follows:

Projects	Construction Commitment	Construction in Progress	Remaining Commitment
Parks and recreation	\$ 1,118,207	\$ 950,702	\$ 167,505
Street improvements	7,375,307	6,942,343	432,964
Drainage	413,057	378,211	34,846
Water and sewer	6,122,932	5,613,931	509,001
Total Commitments	\$ 15,029,503	\$ 13,885,187	\$ 1,144,316

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5. Long-term Liabilities

Changes in the City's long-term liability activity for the year ended September 30, 2014, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental activities:					
General obligation bonds	\$ 49,253,285	\$ -	\$ (3,682,804)	\$ 45,570,481	\$ 3,842,664
Certificates of obligation	14,855,000	-	(675,000)	14,180,000	705,000
Bond premium	3,940,677	-	(324,107)	3,616,570	-
Note payable	459,346	-	(226,241)	233,105	233,105
Capital leases	308,020	75,000	(46,031)	336,989	85,533
Compensated absences	4,323,903	1,763,301	(1,631,542)	4,455,662	1,113,916
TMRS obligation	593,813	4,534	-	598,347	-
Governmental activity					
Long-term liabilities	<u>\$ 73,734,044</u>	<u>\$ 1,842,835</u>	<u>\$ (6,585,725)</u>	<u>\$ 68,991,154</u>	<u>\$ 5,980,218</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
General obligation bonds	\$ 3,391,715	\$ -	\$ (447,196)	\$ 2,944,519	\$ 457,336
Certificates of obligation	15,195,000	-	(645,000)	14,550,000	680,000
Bond premium	539,540	-	(41,705)	497,835	-
Compensated absences	234,207	127,605	(39,369)	322,443	80,611
TMRS obligation	48,712	-	-	48,712	-
Business-type activity					
Long-term liabilities	<u>\$ 19,409,174</u>	<u>\$ 127,605</u>	<u>\$ (1,173,270)</u>	<u>\$ 18,363,509</u>	<u>\$ 1,217,947</u>

Changes in the discretely presented component units' long-term liabilities for the year ended September 30, 2014, are as follows:

DeSoto Park Development Corporation	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue refunding bonds	\$ 1,630,000	\$ -	\$ (155,000)	\$ 1,475,000	\$ 160,000
Note payable	1,545,000	-	(185,000)	1,360,000	190,000
Total	<u>\$ 3,175,000</u>	<u>\$ -</u>	<u>\$ (340,000)</u>	<u>\$ 2,835,000</u>	<u>\$ 350,000</u>
DeSoto Economic Development Corporation:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue refunding bonds	\$ 2,395,000	\$ -	\$ (185,000)	\$ 2,210,000	\$ 185,000
Premium on bond issuance	40,893	-	(3,717)	37,176	-
Compensated absences	4,989	2,386	(1,345)	6,030	-
Note payable	504,005	-	(67,003)	437,002	72,002
Total	<u>\$ 2,944,887</u>	<u>\$ 2,386</u>	<u>\$ (257,065)</u>	<u>\$ 2,690,208</u>	<u>\$ 257,002</u>

For governmental activities, the TMRS obligation and compensated absences are generally liquidated by the General Fund.

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5. Long-term Liabilities (continued)

Governmental Activities

General obligation bonds, certificates of obligation, and notes payable for Governmental Activities outstanding at September 30, 2014, consist of the following individual issues:

General Obligation Bonds:	Interest Rates	Final Maturity Date	Outstanding 09/30/14
2006 General Obligation	2.37 - 4.25%	2/15/26	\$ 5,095,000
2007 General Obligation	4.0 - 4.375%	2/15/27	4,535,000
2008 General Obligation	3.25 - 4.0%	2/15/28	3,760,000
2009 General Obligation & Refunding	3.0 - 4.5%	2/15/29	5,365,481
2011 Refunding	2.0 - 4.0%	2/15/31	935,000
2012 Refunding	3.0 - 5.0%	2/15/25	16,440,000
2013 Refunding	2.0 - 4.0%	2/15/25	9,440,000
Total general obligation bonds			<u>45,570,481</u>
Certificates of Obligation:			
2006 Tax and Revenue	3.75 - 4.25%	2/15/27	355,000
2007 Tax and Revenue	4.0 - 4.375%	2/15/27	1,600,000
2007A Tax and Revenue (Tax exempt)	4.0 - 4.25%	2/15/27	3,065,000
2007A Tax and Revenue (Taxable)	4.0 - 4.5%	2/15/27	2,390,000
2008 Tax and Revenue	2.8 - 4.0%	2/15/28	620,000
2009 Tax and Revenue	3.0 - 4.5%	2/15/29	4,545,000
2011A Tax and Revenue	4.75- 5.75%	2/15/31	805,000
2011B Tax and Revenue	2.0%	2/15/31	800,000
Total certificates of obligation			<u>14,180,000</u>
Note payable:			
Energy Management Loan	3.0%	8/31/15	<u>233,105</u>
Total bonds, certificates and note payable			<u><u>\$ 59,983,586</u></u>

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5. Long-term Liabilities (continued)

Business-Type Activities

General obligation bonds, certificates of obligation, and notes payable for Business-Type Activities outstanding at September 30, 2014, consist of the following individual issues:

General Obligation Bonds:	Interest Rates	Final Maturity Date	Outstanding 09/30/14
2009 Refunding Bonds	3.0 - 4.5%	2/15/29	\$ 39,519
2012 Refunding Bonds	3.0 - 5.0%	2/15/25	2,200,000
2013 Refunding Bonds	2.0 - 4.0%	2/15/25	705,000
Total general obligation bonds			<u>2,944,519</u>
Certificates of Obligation:			
2006 Tax and Revenue	3.75 - 4.25%	2/15/17	715,000
2009 Tax and Revenue	3.0 - 4.5%	2/15/29	3,225,000
2010 Tax and Revenue	2.0 - 4.3%	2/15/30	4,220,000
2011B Tax and Revenue	2.0 - 4.0%	2/15/31	2,660,000
2013 Tax and Revenue	2.0 - 3.5%	2/15/33	<u>3,730,000</u>
Total certificates of obligation			<u>14,550,000</u>
Total bonds and certificates			<u><u>\$ 17,494,519</u></u>

Component Units

Revenue bonds and notes payable for Governmental Activities outstanding at September 30, 2014, consist of the following individual issues:

DeSoto Park Development Corporation	Interest Rates	Final Maturity Date	Outstanding 09/30/14
Bonds:			
2011 Revenue Refunding Bonds	2.0 - 4.0%	2/15/22	\$ 1,475,000
Notes Payable:			
City of DeSoto -2009 GOs	3.0 - 4.5%	2/15/29	640,000
City of DeSoto - 2012 GOs	3.0 - 5.0%	2/15/25	<u>720,000</u>
Total notes payable			<u>1,360,000</u>
Total bonds and notes payable			<u><u>\$ 2,835,000</u></u>

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5. Long-term Liabilities (continued)

Component Units (continued)

DeSoto Economic Development Corporation	Interest Rates	Final Maturity Date	Outstanding 09/30/14
Bonds:			
2011 Revenue Refunding Bonds	2.0 - 4.0%	2/15/24	\$ 2,210,000
Notes Payable:			
City of DeSoto - 1995	3.0 - 5.0%	2/15/15	17,002
City of DeSoto - 2011A COs	4.75 - 5.75%	2/15/31	380,000
City of DeSoto - 2013 GOs	2.0 - 4.0%	2/15/25	40,000
Total notes payable			<u>437,002</u>
Total bonds and notes payable			<u><u>\$ 2,647,002</u></u>

Amortization Schedules

The annual requirements to amortize long term debt as of September 30, 2014, are as follows:

General Obligation Bonds

Fiscal Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 3,842,664	\$ 1,787,870	\$ 457,336	\$ 114,122
2016	3,942,426	1,648,648	257,574	100,998
2017	4,082,135	1,500,033	257,865	90,952
2018	4,026,800	1,350,233	268,200	80,881
2019	4,196,456	1,197,453	283,544	70,296
2020 - 2024	19,645,000	3,330,768	1,315,000	158,000
2025 - 2029	5,835,000	317,731	105,000	2,075
	<u>\$ 45,570,481</u>	<u>\$ 11,132,736</u>	<u>\$ 2,944,519</u>	<u>\$ 617,323</u>

Certificates of Obligation

Fiscal Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 705,000	\$ 623,596	\$ 680,000	\$ 523,434
2016	735,000	595,147	700,000	503,759
2017	765,000	564,228	725,000	482,559
2018	870,000	528,799	750,000	459,171
2019	910,000	489,885	770,000	434,521
2020 - 2024	5,125,000	1,795,999	4,225,000	1,740,713
2025 - 2029	4,780,000	535,113	4,960,000	833,416
2030 - 2033	290,000	14,381	1,740,000	93,881
	<u>\$ 14,180,000</u>	<u>\$ 5,147,148</u>	<u>\$ 14,550,000</u>	<u>\$ 5,071,453</u>

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5. Long-term Liabilities (continued)

Notes Payable

Fiscal Year	Governmental Activities		DPDC		DEDC	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 233,105	\$ 4,387	\$ 190,000	\$ 52,050	\$ 72,002	\$ 20,344
2016	-	-	200,000	45,475	15,000	19,031
2017	-	-	205,000	38,000	15,000	18,319
2018	-	-	210,000	29,700	15,000	17,606
2019	-	-	225,000	21,000	20,000	16,775
2020 - 2024	-	-	330,000	25,250	100,000	69,175
	<u>\$ 233,105</u>	<u>\$ 4,387</u>	<u>\$ 1,360,000</u>	<u>\$ 211,475</u>	<u>\$ 437,002</u>	<u>\$ 203,838</u>

Revenue Refunding Bonds

Fiscal Year	DPDC		DEDC	
	Principal	Interest	Principal	Interest
2015	\$ 160,000	\$ 51,650	\$ 185,000	\$ 79,700
2016	165,000	46,775	195,000	73,513
2017	170,000	41,750	200,000	66,600
2018	180,000	35,600	205,000	59,513
2019	185,000	28,300	215,000	52,163
2020 - 2024	615,000	37,700	1,210,000	124,600
	<u>\$ 1,475,000</u>	<u>\$ 241,775</u>	<u>\$ 2,210,000</u>	<u>\$ 456,088</u>

Capital leases

The City has entered into lease agreements as lessee for financing the acquisition of various pieces of equipment. These leases qualify as capital leases and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The cost of equipment purchased with capital leases (including the new lease entered into in the current fiscal year for \$75,000) is \$492,206, and accumulated depreciation is \$239,360, with a carrying value of \$252,846 as of September 30, 2014.

The following is a schedule of the future minimum lease payments under these agreements and the present value of the net minimum lease payments at September 30, 2014:

Fiscal Year	Amount
2015	\$ 98,939
2016	98,939
2017	59,430
2018	59,430
2019	59,430
Minimum lease payments	376,168
Less amount representing interest	(39,178)
Total	<u>\$ 336,990</u>

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6. Interfund Balances and Transfers

Due to/from Other Funds

The composition of interfund balances as of September 30, 2014, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Homeland Security Grant Fund	\$ 42,336	Advances for expenditure driven grants
	Sanitation Fund	65,160	Advances for expenditure driven grants
		<u>\$ 107,496</u>	

The receivable to the General Fund from the Homeland Security Grant Fund is for a temporary cash overdraft.

Interfund Transfers

The composition of interfund transfers for the year ended September 30, 2014, is as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General	Nonmajor governmental	\$ 534,689	Street improvements
	Nonmajor governmental	10,000	Public facilities improvements
	Debt service	36,335	To fund debt service
Street improvement	Debt service	797,354	To fund debt service
Nonmajor governmental	Debt service	911,393	To fund debt service
	General	12,031	Miscellaneous
	Nonmajor governmental	37,120	Public facilities improvements
Public utility	General	2,123,536	PILOT, franchise fees, energy management grant, and maintenance and equipment
		<u>\$ 4,462,458</u>	

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7. Retirement Plan

Plan Description

The City provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2014</u>	<u>Plan Year 2013</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used).. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded actuarial liability over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015).

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7. Retirement Plan (continued)

The annual pension cost and net pension obligation are as follows:

	Fiscal Year		
	2014	2013	2012
Annual required contributions (ARC)	\$ 2,332,905	\$ 2,284,542	\$ 2,381,834
Interest on Net Pension Obligation	44,977	44,598	44,164
Adjustment to ARC	(40,443)	(39,183)	(37,963)
Annual pension cost (APC)	2,337,439	2,289,957	2,388,035
Contributions Made	(2,332,905)	(2,284,542)	(2,381,834)
Increase in net pension obligations	4,534	5,415	6,201
Net pension obligation, beginning of year	642,525	637,110	630,909
Net pension obligation, end of year	\$ 647,059	\$ 642,525	\$ 637,110

Funded Status and Funding Progress

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll {(b-a)/c }
12/31/13	\$ 88,687,711	\$ 100,776,222	\$ 9,200,683	88.0%	\$ 19,145,770	63.1%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

In October 2013, The TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contributions rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013, TMRS Comprehensive Annual Financial Report (CAFR).

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7. Retirement Plan (continued)

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation date	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>
Actuarial cost method	Projected unit credit	Projected unit credit	Entry Age Normal
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	26.1 years; closed period	25.2 years; closed period	27.0 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment rate of return *	7.0%	7.0%	7.0%
Projected salary increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes inflation at	3.00%	3.00%	3.00%
Cost-of Living adjustments	2.1%	2.1%	2.1%

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8. Postretirement Benefits

Supplemental Death Benefits

The City also participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance to provide group term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The City's contributions to the TMRS SDBF for fiscal years 2012, 2013 and 2014 are as follows:

Year	Annual Required Contribution	Annual Contribution Made	Percentage of ARC Contributed	Net OPEB Obligation
2012	\$ 3,676	\$ 3,676	100%	\$ -
2013	3,764	3,764	100%	-
2014	5,355	5,355	100%	-

Health Insurance

In addition to providing pension benefits, retired employees are entitled to elect continuation coverage under the City's group accident and health insurance plan. The City revised its health care plan which requires that retirees pay the full cost of their health care as determined by the City's health care provider. The health care provider segregates the retired employees and calculates the healthcare costs for that group. Therefore, the City does not have an implicit cost for retired employees' health care coverage and no liability for postretirement benefits.

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with IRC 457. The plan, available to all permanent City employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the participants. Participants' rights under the plan are in an amount equal to the fair value of the deferred account for each participant. Investments that are held by an outside trustee in the deferred compensation plan are not reported in the City's financial statements as the City maintains no fiduciary responsibility for such assets.

Note 10. Commitments and Contingencies

Trinity River Authority of Texas

In November 1983, the City and other area municipalities entered into a contract with the Trinity River Authority (the "Authority") for utilization of the Authority's sewer transmission and treatment facilities. Under the contract, the City is required to pay a portion of the annual cash requirement to operate the facility determined by dividing the actual number of gallons discharged into the system by the City by the total number of gallons discharged by all of the participating cities. Accordingly, the future obligations of the City in connection with the contract cannot be estimated since payment varies in direct relationship to gallons discharged. The City has no ownership interest in the Authority or in conjunction with other participating cities.

Total payments made by the City under the contract amounted to \$4,178,905 for 2014. The payments are reflected in the accompanying statement of revenues, expenses and changes in net position of the Public Utility Fund. Under the terms of the contract, the City is obligated to make payments for the use of the facilities for the life of the facilities. Further, revenue of the Public Utility Fund are pledged to support payments due the Authority in accordance with the terms of the contract. Such payments are considered operating expenses and, therefore, have priority over principal and interest due on revenue bonds.

State and Federal Programs

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. In the opinion of management of the City, disallowed costs, if any, would not be material.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the City purchased commercial insurance to cover these general liabilities from the Texas Municipal League Risk Pool ("TML"). The City pays an annual premium to TML for such coverage. TML purchases reinsurance and the City does not retain the risk of losses. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage in each of the past three fiscal years.

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 10. Commitments and Contingencies (continued)

Conduit Debt Obligation

In prior years, the DeSoto Health Facilities Development Corporation, DeSoto Housing Finance Corporation and DeSoto Industrial Development Authority, Inc. issued revenue bonds to provide financial assistance to private sector entities for the acquisition and construction of health facilities, housing facilities and industrial development projects, respectively, deemed to be in the public interest. Neither the City nor the component units listed above are obligated in any manner for repayment of the bonds. Accordingly, the bonds are not recorded as liabilities in the accompanying financial statements.

A summary of outstanding conduit bonds by component unit at September 30, 2014, follows:

<u>Series</u>	<u>DeSoto Industrial Development Authority</u>
2008	\$ 3,613,446
Total	\$ 3,613,446

DEDC

As of September 30, 2014, the DEDC had approved several grants totaling approximately \$902,000 payable in subsequent years, to certain businesses in the City. The payments of the grants are contingent on the businesses remaining in the City.

DEDC grant commitments are scheduled as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 748,400
2016	38,400
2017	38,400
2018	38,400
2019	38,400
Total	\$ 902,000

Other Contingencies

There are other claims and pending actions incident to normal operations of the City. In the opinion of the City management and based on consultation with the City's attorney, the City's potential liability in these matters will not have a material impact on the financial statements.

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 11. Joint Ventures

Southwest Regional Communications Center

The Southwest Regional Communications Center (the Center) provides police, fire, medical aid and emergency service communications to participating cities. The Center's Management Committee is comprised of each of the participating cities' City Manager or their designee. During fiscal year 2014, the City contributed \$887,665 to the operations of the Center. The City has a one-third share in the equity of the Center, accounted for in the government wide Statement of Net Position. The value of the City's share in the equity of the facility as of September 30, 2014, is \$644,967. The Center issues separate financial statements available from the City's Financial Department.

Regional Animal Control Shelter

The City also entered into an annually renewable Interlocal Cooperation agreement with the cities of Cedar Hill and Duncanville on September 3, 1991, to establish a Regional Animal Control Shelter facility ("facility"). The facility's Management Committee is comprised of each of the participating cities' City Manager or their designee. During the fiscal year 2014, the City contributed \$170,202 to the operations of the facility. The City has a one-third share in the equity of the facility, accounted for in the government wide Statement of Net Position. The value of the City's share in the equity of the facility as of September 30, 2014, is \$426,061.

The financial statements of the facility can be obtained by contacting: City of Cedar Hill Finance Department, P. O. Box 96, Cedar Hill, TX 75106-0096.

Note 12. Prior Period Adjustment

The beginning net position of the Governmental Activities in the government-wide Statement of Net Position has been restated to record a prior period adjustment to correct the City's Accumulated Depreciation balance related to Park facilities. A reconciliation of the prior period ending net position to the current year beginning net positing for the Governmental Activities is as follow:

Governmental Activities:	
Beginning net position - as originally presented	\$ 97,336,906
Prior period adjustment:	
Correction of error in recording accumulated depreciation (depreciation expense):	<u>(2,884,004)</u>
Beginning net position - as restated	<u><u>\$ 93,987,055</u></u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget - Positive (Negative)
Revenues				
Property taxes	\$ 15,066,867	\$ 15,066,867	\$ 15,164,528	\$ 97,661
Sales taxes	5,760,000	5,760,000	6,548,886	788,886
Franchise fees and other	2,758,000	2,758,000	3,024,987	266,987
Fines and forfeitures	1,108,000	1,119,000	1,444,240	325,240
Licenses and permits	658,513	753,755	1,248,422	494,667
Intergovernmental	510,807	512,697	514,681	1,984
Charges for services	1,902,450	1,902,450	2,258,134	355,684
Investment earnings	55,963	55,963	45,849	(10,114)
Recreation services	737,445	737,445	731,655	(5,790)
Miscellaneous	198,430	198,430	734,481	536,051
Total Revenues	28,756,475	28,864,607	31,715,863	2,851,256
Expenditures				
Current:				
General government	1,198,568	1,051,446	863,495	187,951
Public safety:				
Police	8,514,064	8,508,874	8,548,917	(40,043)
Fire	7,033,776	7,033,776	6,937,625	96,151
Development services	4,743,103	4,798,016	4,451,827	346,189
Financial services	409,535	409,535	330,271	79,264
Municipal court	564,983	575,983	476,956	99,027
Information technology	969,591	468,691	402,041	66,650
Human resources	277,682	277,682	288,934	(11,252)
Parks and recreation	3,037,370	2,979,165	2,845,805	133,360
Library services	954,885	954,885	896,324	58,561
Non-departmental	2,435,715	2,934,105	3,084,050	(149,945)
Debt service:				
Principal	372,300	307,300	272,272	35,028
Interest and other charges	20,000	20,000	24,650	(4,650)
Capital outlay	319,200	1,145,836	1,156,621	(10,785)
Total Expenditures	30,850,772	31,465,294	30,579,788	885,506
Excess (deficiency) of revenues over expenditures	(2,094,297)	(2,600,687)	1,136,075	3,736,762
Other Financing Sources (Uses)				
Issuance of long-term debt	-	-	75,000	75,000
Sale of capital assets	90,000	90,000	36,185	(53,815)
Transfers in	2,132,989	2,132,989	2,135,567	2,578
Transfers out	(914,083)	(571,025)	(581,024)	(9,999)
Total Other Financing Sources (Uses)	1,308,906	1,651,964	1,665,728	13,764
Net change in fund balances	(785,391)	(948,723)	2,801,803	3,750,526
Fund balances - beginning	10,636,261	10,636,261	10,636,261	-
Fund balances - ending	\$ 9,850,870	\$ 9,687,538	\$ 13,438,064	\$ 3,750,526

CITY OF DESOTO, TEXAS
NOTES TO BUDGETARY SCHEDULE
September 30, 2014

Budgetary Information

The City follows these procedures in establishing its annual budget:

- 1) Prior to August 1, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1.
- 2) Public hearing is conducted to obtain taxpayer comments.
- 3) The budget is legally enacted by the City Council through passage of an ordinance prior to October 1.
- 4) Any revisions that alter the total budgeted expenditures of the Enterprise of Governmental Funds must be approved by the City Council.
- 5) Formal budgetary integration is employed as a management control device during the year for the General Fund.
- 6) Unused appropriations lapse at fiscal year-end and may not be carried over to the following fiscal year.
- 7) Budgeted amounts are as originally adopted or as amended by the City Council. There were no significant budgetary amendments made during fiscal year 2014.
- 8) The City Manager is authorized to adjust budget amounts; however, such revisions may not result in total budgeted expenditures (appropriations) in excess of budgeted revenues at the fund level without the approval of City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.
- 9) Budgetary statements and schedules are presented for all funds with legally adopted budgets. The Homeland Security Grant Fund, Health Facilities Development Corp. Fund, Housing Finance Corp. Fund and Industrial Development Authority Fund do not have legally adopted budgets and accordingly budget information is not presented for these funds.

Excess of Expenditures Over Appropriations

For the year ended September 30, 2014, expenditures exceeded appropriations in the police, human resources, non-departmental and capital outlay expenditures for the General Fund by \$40,043, \$11,252, \$149,945 and \$10,785 respectively. These excess expenditures were funded by greater than anticipated revenues in the General Fund.

CITY OF DESOTO, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM

SCHEDULE OF FUNDING PROGRESS

	(1)	(2)	(3) = (1) / (2)	(4) = (2) - (1)	(5)	(6) = (4) / (3)
Actuarial Valuation Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll(1)	UAAL as a Percentage of Covered Payroll
2011	\$ 76,955,194	\$ 87,960,376	87.5%	\$ 11,005,182	\$ 18,354,272	60.0%
2012	82,747,260	91,947,943	90.0%	9,200,683	18,402,485	50.0%
2013	88,687,711	100,776,222	88.0%	12,088,511	19,145,770	63.1%

NONMAJOR GOVERNMENTAL FUNDS

The *Special Revenue Funds* are used to account for specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Regional Jail – to account for restricted revenues and expenditures of the regional jail operation utilized by the cities of DeSoto and Lancaster. The facilities house arrested persons for a maximum of 72 hours.

Municipal Court Fund – to account for municipal court fees collected through the court to provide for various municipal court security features or to enhance existing operations through technology.

Police-Seized Funds – Accounts for the revenue and expenditures related to the award of monies or property by the courts or federal government to the police department. The funds are expended for specified police department purposes.

Police Grant Fund – to account for grant funding received to support police operations.

Homeland Security Grant Fund – to account for grant funding received for homeland security purposes.

Hotel Occupancy Tax Fund – to account for tax revenue collected as a percentage of gross receipts for all hotel and motel temporary room rentals within the City. The funds are expended to promote tourism and culture in the City.

Health Facilities Development Corporation – blended component unit whose purpose is to assist with the development of health care facilities for the maintenance of the public health in the City.

Housing Finance Corporation – blended component unit whose purpose is to assist with the financing of residential developments in the City.

Industrial Development Authority, Inc. – blended component unit whose purpose is to promote and develop commercial, industrial, manufacturing and medical research enterprises in the City.

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities.

Parks Capital Improvement Funds – to account for the purchase and improvement of the City's parks. Financing is provided by general obligation bonds and contributions from developers.

Street Improvements Funds – These funds account for the financial and construction costs of various street improvement projects within the City. General obligation and certificate of obligation bonds provide the financing.

Public Facilities Capital Improvement Funds – to account for the construction and improvement of various City facilities. Financing is provided by general obligation bonds, certificates of obligation and various contributions.

CITY OF DESOTO, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2014

	Special Revenue Funds			
	Regional Jail	Municipal Court	Police Seized Assets	Police Grants
Assets				
Cash and investments	\$ 427,681	\$ 304,602	\$ 231,502	\$ 38,138
Receivables, net:				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Accounts	211	169	-	-
Note receivable	-	-	-	-
Total Assets	\$ 427,892	\$ 304,771	\$ 231,502	\$ 38,138
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 5,749	\$ 98	\$ 20,884	\$ -
Accrued liabilities	47,498	711	-	-
Due to other funds	-	-	-	-
Unearned revenues	-	-	6,025	-
Total Liabilities	53,247	809	26,909	-
Fund Balances:				
Nonspendable:				
Note receivable	-	-	-	-
Restricted:				
Street improvements				
Public safety	374,645	303,962	204,593	38,138
Economic development				
Committed:				
Public health				
Development				
Assigned:				
Capital projects				
Total Fund Balances	374,645	303,962	204,593	38,138
Total Liabilities and Fund Balances	\$ 427,892	\$ 304,771	\$ 231,502	\$ 38,138

Special Revenue Funds

Homeland Security Grant	Hotel Occupancy Tax	Health Facilities Development Corporation	Housing Finance Corporation	Industrial Development Authority
\$ 34,972	\$ 942,642	\$ 18,370	\$ 229,222	\$ 29,053
-	107,289	-	-	-
8,905	-	-	-	-
-	5,841	-	704	-
-	-	-	-	-
<u>\$ 43,877</u>	<u>\$1,055,772</u>	<u>\$ 18,370</u>	<u>\$ 229,926</u>	<u>\$ 29,053</u>
\$ -	\$ 20,978	\$ -	\$ -	\$ -
-	-	-	-	-
42,336	-	-	-	-
-	100	-	-	-
<u>42,336</u>	<u>21,078</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
1,541	1,034,694	18,370	229,926	29,053
<u>1,541</u>	<u>1,034,694</u>	<u>18,370</u>	<u>229,926</u>	<u>29,053</u>
<u>\$ 43,877</u>	<u>\$1,055,772</u>	<u>\$ 18,370</u>	<u>\$ 229,926</u>	<u>\$ 29,053</u>

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CITY OF DESOTO, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2014

	Capital Projects Funds			
	Parks Capital Improvement	Street Improvement	Public Facilities Capital Improvement	Total Nonmajor Governmental Funds
Assets				
Cash and investments	\$ 120,341	\$ 2,590,743	\$ 135,371	\$ 5,102,637
Receivables, net:				
Taxes	-	-	-	107,289
Due from other governments	-	-	-	8,905
Accounts	-	76,494	-	83,419
Note receivable	-	57,003	-	57,003
Total Assets	<u>\$ 120,341</u>	<u>\$ 2,724,240</u>	<u>\$ 135,371</u>	<u>\$ 5,359,253</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 74,426	\$ 8,718	\$ 130,853
Accrued liabilities	-	-	-	48,209
Due to other funds	-	-	-	42,336
Unearned revenues	-	-	-	6,125
Total Liabilities	<u>-</u>	<u>74,426</u>	<u>8,718</u>	<u>227,523</u>
Fund Balances:				
Nonspendable:				
Note receivable	-	57,003	-	57,003
Restricted:				
Street improvements		2,592,811		2,592,811
Public safety				922,879
Economic development				1,034,694
Committed:				
Public health				18,370
Development				258,979
Assigned:				
Capital projects	120,341		126,653	246,994
Total Fund Balances	<u>120,341</u>	<u>2,649,814</u>	<u>126,653</u>	<u>5,131,730</u>
Total Liabilities and Fund Balances	<u>\$ 120,341</u>	<u>\$ 2,724,240</u>	<u>\$ 135,371</u>	<u>\$ 5,359,253</u>

(concluded)

CITY OF DESOTO, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	Special Revenue Funds			
	Regional Jail	Municipal Court	Police Seized Assets	Police Grants
Revenues				
Hotel occupancy tax	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	76,532	-	-
Intergovernmental	1,020,000	-	274,517	7,633
Charges for services	18,620	-	-	-
Investment earnings	903	582	302	-
Miscellaneous	1,324	-	-	-
Total Revenues	1,040,847	77,114	274,819	7,633
Expenditures				
Current:				
General government	-	-	-	-
Public safety:				
Police	926,220	-	56,445	15,813
Fire	-	-	-	-
Development services	-	-	-	-
Municipal court	-	48,093	-	-
Parks and recreation	-	-	-	-
Capital outlay	45,000	16,656	55,188	-
Total Expenditures	971,220	64,749	111,633	15,813
Excess (deficiency) of revenues over expenditures	69,627	12,365	163,186	(8,180)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(412)	(11,619)	-	-
Total Other Financing Sources (Uses)	(412)	(11,619)	-	-
Net change in fund balances	69,215	746	163,186	(8,180)
Fund balances - beginning	305,430	303,216	41,407	46,318
Fund balances - ending	\$ 374,645	\$ 303,962	\$ 204,593	\$ 38,138

Special Revenue Funds

Homeland Security Grant	Hotel Occupancy Tax	Health Facilities Development Corporation	Housing Finance Corporation	Industrial Development Authority
\$ -	\$ 790,657	\$ -	\$ -	\$ -
-	-	-	-	-
9,665	-	-	-	-
-	6,653	-	-	-
-	1,771	15	475	22
-	-	-	-	-
9,665	799,081	15	475	22
-	377,141	-	19,465	-
-	-	-	-	-
8,124	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	36,667	-	-	-
-	-	-	-	-
8,124	413,808	-	19,465	-
1,541	385,273	15	(18,990)	22
-	-	-	-	-
-	(151,159)	-	-	-
-	(151,159)	-	-	-
1,541	234,114	15	(18,990)	22
-	800,580	18,355	248,916	29,031
\$ 1,541	\$ 1,034,694	\$ 18,370	\$ 229,926	\$ 29,053

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CITY OF DESOTO, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	Capital Projects Funds			
	Parks Capital Improvement	Street Improvement	Public Facilities Capital Improvement	Total Nonmajor Governmental Funds
Revenues				
Hotel occupancy tax	\$ -	\$ -	\$ -	\$ 790,657
Fines and forfeitures	-	-	-	76,532
Intergovernmental	-	74,596	1,787	1,388,198
Charges for services	-	-	-	25,273
Investment earnings	201	8,857	353	13,481
Miscellaneous	45,500	500	-	47,324
Total Revenues	45,701	83,953	2,140	2,341,465
Expenditures				
Current:				
General government	-	-	-	396,606
Public safety:				
Police	-	-	-	998,478
Fire	-	-	-	8,124
Development services	-	1,625,855	-	1,625,855
Municipal court	-	-	-	48,093
Parks and recreation	-	-	-	36,667
Capital outlay	9,000	1,455,148	402,619	1,983,611
Total Expenditures	9,000	3,081,003	402,619	5,097,434
Excess (deficiency) of revenues over	36,701	(2,997,050)	(400,479)	(2,755,969)
Other Financing Sources (Uses)				
Transfers in	-	534,689	47,120	581,809
Transfers out	-	(797,354)	-	(960,544)
Total Other Financing Sources (Uses)	-	(262,665)	47,120	(378,735)
Net change in fund balances	36,701	(3,259,715)	(353,359)	(3,134,704)
Fund balances - beginning	83,640	5,909,529	480,012	8,266,434
Fund balances - ending	\$ 120,341	\$ 2,649,814	\$ 126,653	\$ 5,131,730

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BUDGETARY COMPARISON SCHEDULES

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CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (WITH VARIANCES)
DEBT SERVICE FUND
For the Year Ended September 30, 2014

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
Revenues			
Property taxes	\$ 6,542,290	\$ 6,545,405	\$ 3,115
Intergovernmental	35,456	358,200	322,744
Investment earnings	5,500	1,827	(3,673)
Total Revenues	<u>6,583,246</u>	<u>6,905,432</u>	<u>322,186</u>
Expenditures			
Debt service:			
Principal	3,721,838	4,357,804	(635,966)
Interest and other charges	2,586,150	2,618,423	(32,273)
Total Expenditures	<u>6,307,988</u>	<u>6,976,227</u>	<u>(668,239)</u>
Excess (deficiency) of revenues over expenditures	<u>275,258</u>	<u>(70,795)</u>	<u>(346,053)</u>
Other Financing Sources (Uses)			
Transfers in	150,375	947,728	797,353
Total Other Financing Sources (Uses)	<u>150,375</u>	<u>947,728</u>	<u>797,353</u>
Net change in fund balances	425,633	876,933	451,300
Fund balances - beginning	<u>1,655,137</u>	<u>1,655,137</u>	<u>-</u>
Fund balances - ending	<u><u>\$ 2,080,770</u></u>	<u><u>\$ 2,532,070</u></u>	<u><u>\$ 451,300</u></u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (WITH VARIANCES)
REGIONAL JAIL FUND
For the Year Ended September 30, 2014

	Final Budget	Actual GAAP Basis	Variance with Final Budget - Positive
Revenues			
Intergovernmental	\$ 1,020,000	\$ 1,020,000	\$ -
Charges for services	34,000	18,620	(15,380)
Investment earnings	450	903	453
Miscellaneous	480	1,324	844
Total Revenues	<u>1,054,930</u>	<u>1,040,847</u>	<u>(14,083)</u>
Expenditures			
Current:			
Public safety:			
Police	974,045	926,220	47,825
Capital outlay	<u>45,000</u>	<u>45,000</u>	<u>-</u>
Total Expenditures	<u>1,019,045</u>	<u>971,220</u>	<u>47,825</u>
Excess (deficiency) of revenues over expenditures	<u>35,885</u>	<u>69,627</u>	<u>33,742</u>
Other Financing Sources (Uses)			
Transfers out	<u>-</u>	<u>(412)</u>	<u>(412)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(412)</u>	<u>(412)</u>
Net change in fund balances	35,885	69,215	33,330
Fund balances - beginning	<u>305,430</u>	<u>305,430</u>	<u>-</u>
Fund balances - ending	<u>\$ 341,315</u>	<u>\$ 374,645</u>	<u>\$ 33,330</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (WITH VARIANCES)
MUNICIPAL COURT FUND
For the Year Ended September 30, 2014

	Final Budget	Actual GAAP Basis	Variance with Final Budget - Positive
Revenues			
Fines and forfeitures	\$ 75,000	\$ 76,532	\$ 1,532
Investment earnings	500	582	82
Total Revenues	<u>75,500</u>	<u>77,114</u>	<u>1,614</u>
Expenditures			
Current:			
Municipal Court	56,466	48,093	8,373
Capital outlay	<u>16,763</u>	<u>16,656</u>	<u>107</u>
Total Expenditures	<u>73,229</u>	<u>64,749</u>	<u>8,480</u>
Excess (deficiency) of revenues over expenditures	<u>2,271</u>	<u>12,365</u>	<u>10,094</u>
Other Financing Sources (Uses)			
Transfers out	<u>(10,000)</u>	<u>(11,619)</u>	<u>(1,619)</u>
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>(11,619)</u>	<u>(1,619)</u>
Net change in fund balances	(7,729)	746	8,475
Fund balances - beginning	<u>303,216</u>	<u>303,216</u>	<u>-</u>
Fund balances - ending	<u>\$ 295,487</u>	<u>\$ 303,962</u>	<u>\$ 8,475</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (WITH VARIANCES)
POLICE SEIZED ASSETS FUND
For the Year Ended September 30, 2014

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
Revenues			
Intergovernmental	\$ 127,712	\$ 274,517	\$ 146,805
Investment earnings	250	302	52
Total Revenues	<u>127,962</u>	<u>274,819</u>	<u>146,857</u>
Expenditures			
Current:			
Public safety:			
Police	63,212	56,445	6,767
Capital outlay	<u>64,500</u>	<u>55,188</u>	<u>9,312</u>
Total Expenditures	<u>127,712</u>	<u>111,633</u>	<u>16,079</u>
Net change in fund balances	250	163,186	162,936
Fund balances - beginning	<u>41,407</u>	<u>41,407</u>	<u>-</u>
Fund balances - ending	<u><u>\$ 41,657</u></u>	<u><u>\$ 204,593</u></u>	<u><u>\$ 162,936</u></u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (WITH VARIANCES)
POLICE GRANTS FUND
For the Year Ended September 30, 2014

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
Revenues			
Intergovernmental	\$ -	\$ 7,633	\$ 7,633
Total Revenues	<u>-</u>	<u>7,633</u>	<u>7,633</u>
Expenditures			
Current:			
Public safety:			
Police	<u>20,198</u>	<u>15,813</u>	<u>4,385</u>
Total Expenditures	<u>20,198</u>	<u>15,813</u>	<u>4,385</u>
Net change in fund balances	(20,198)	(8,180)	12,018
Fund balances - beginning	<u>46,318</u>	<u>46,318</u>	<u>-</u>
Fund balances - ending	<u>\$ 26,120</u>	<u>\$ 38,138</u>	<u>\$ 12,018</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (WITH VARIANCES)
HOTEL OCCUPANCY TAX FUND
For the Year Ended September 30, 2014

	Final Budget	Actual GAAP Basis	Variance with Final Budget - Positive
Revenues			
Hotel occupancy tax	\$ 580,000	\$ 790,657	\$ 210,657
Charges for services	3,828	6,653	2,825
Investment earnings	600	1,771	1,171
Total Revenues	<u>584,428</u>	<u>799,081</u>	<u>214,653</u>
Expenditures			
Current:			
General government	487,765	377,141	110,624
Parks and recreation	40,000	36,667	3,333
Total Expenditures	<u>527,765</u>	<u>413,808</u>	<u>113,957</u>
Excess (deficiency) of revenues over expenditures	<u>56,663</u>	<u>385,273</u>	<u>328,610</u>
Other Financing Sources (Uses)			
Transfers out	<u>(114,039)</u>	<u>(151,159)</u>	<u>(37,120)</u>
Total Other Financing Sources (Uses)	<u>(114,039)</u>	<u>(151,159)</u>	<u>(37,120)</u>
Net change in fund balances	(57,376)	234,114	291,490
Fund balances - beginning	<u>800,580</u>	<u>800,580</u>	<u>-</u>
Fund balances - ending	<u>\$ 743,204</u>	<u>\$ 1,034,694</u>	<u>\$ 291,490</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (WITH VARIANCES)
PARKS CAPITAL IMPROVEMENT FUND
For the Year Ended September 30, 2014

	Final Budget	Actual GAAP Basis	Variance with Final Budget - Positive
Revenues			
Investment earnings	\$ 300	\$ 201	\$ (99)
Miscellaneous	10,000	45,500	35,500
Total Revenues	<u>10,300</u>	<u>45,701</u>	<u>35,401</u>
Expenditures			
Capital outlay	<u>47,000</u>	<u>9,000</u>	<u>38,000</u>
Total Expenditures	<u>47,000</u>	<u>9,000</u>	<u>38,000</u>
Net change in fund balances	(36,700)	36,701	73,401
Fund balances - beginning	<u>83,640</u>	<u>83,640</u>	<u>-</u>
Fund balances - ending	<u><u>\$ 46,940</u></u>	<u><u>\$ 120,341</u></u>	<u><u>\$ 73,401</u></u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (WITH VARIANCES)
STREET IMPROVEMENT FUND
For the Year Ended September 30, 2014

	Final Budget	Actual GAAP Basis	Variance with Final Budget - Positive
Revenues			
Intergovernmental	\$ 103,894	\$ 74,596	\$ (29,298)
Investment earnings	9,500	8,857	(643)
Miscellaneous	-	500	500
Total Revenues	<u>113,394</u>	<u>83,953</u>	<u>(29,441)</u>
Expenditures			
Current:			
Development services	1,000,000	1,625,855	(625,855)
Capital outlay	<u>2,897,622</u>	<u>1,455,148</u>	<u>1,442,474</u>
Total Expenditures	<u>3,897,622</u>	<u>3,081,003</u>	<u>816,619</u>
Excess (deficiency) of revenues over expenditures	<u>(3,784,228)</u>	<u>(2,997,050)</u>	<u>787,178</u>
Other Financing Sources (Uses)			
Transfers in	650,689	534,689	(116,000)
Transfers out	-	(797,354)	(797,354)
Total Other Financing Sources (Uses)	<u>650,689</u>	<u>(262,665)</u>	<u>(913,354)</u>
Net change in fund balances	(3,133,539)	(3,259,715)	(126,176)
Fund balances - beginning	<u>5,909,529</u>	<u>5,909,529</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,775,990</u>	<u>\$ 2,649,814</u>	<u>\$ (126,176)</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (WITH VARIANCES)
PUBLIC FACILITIES CAPITAL IMPROVEMENT FUND
For the Year Ended September 30, 2014

	Final Budget	Actual GAAP Basis	Variance with Final Budget - Positive
Revenues			
Intergovernmental	\$ -	\$ 1,787	\$ 1,787
Investment earnings	100	353	253
Total Revenues	<u>100</u>	<u>2,140</u>	<u>2,040</u>
Expenditures			
Capital outlay	<u>119,677</u>	<u>402,619</u>	<u>(282,942)</u>
Total Expenditures	<u>120,317</u>	<u>402,619</u>	<u>(282,302)</u>
Excess (deficiency) of revenues over expenditures	<u>(120,217)</u>	<u>(400,479)</u>	<u>(280,262)</u>
Other Financing Sources (Uses)			
Transfers in	<u>-</u>	<u>47,120</u>	<u>47,120</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>47,120</u>	<u>47,120</u>
Net change in fund balances	(120,217)	(353,359)	(233,142)
Fund balances - beginning	<u>480,012</u>	<u>480,012</u>	<u>-</u>
Fund balances - ending	<u>\$ 359,795</u>	<u>\$ 126,653</u>	<u>\$ (233,142)</u>

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AGENCY FUND

CITY OF DESOTO, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
For the Year Ended September 30, 2014

	Balance 9/30/13	Additions	Deductions	Balance 09/30/14
Southwest Regional Communications Center				
Assets				
Cash and cash equivalents	750,293	\$ 2,808,324	\$ 2,756,625	801,992
Total assets	\$ 750,293	\$ 2,808,324	\$ 2,756,625	\$ 801,992
Liabilities				
Due to Southwest Regional Communications Center	750,293	\$ 2,808,324	\$ 2,756,625	801,992
Total liabilities	\$ 750,293	\$ 2,808,324	\$ 2,756,625	\$ 801,992

See notes to financial statements.

**DISCRETELY PRESENTED COMPONENT UNITS
FUND FINANCIAL STATEMENTS**

CITY OF DESOTO, TEXAS
BALANCE SHEETS
DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2014

	Desoto Parks Development Corporation	Desoto Economic Development Corporation
Assets		
Cash and investments	\$ 539,696	\$ 2,532,680
Taxes receivable	113,711	341,132
Notes receivable	-	116,704
Other receivables	-	9,123
Total Assets	\$ 653,407	\$ 2,999,639
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ -	\$ 14,557
Total Liabilities	-	14,557
Fund Balances:		
Restricted for park and park facilities projects	653,407	-
Restricted for economic development	-	2,985,082
Total Fund Balances	653,407	2,985,082
Total Liabilities and Fund Balances	\$ 653,407	\$ 2,999,639
 Total fund balances - component unit	 \$ 653,407	 \$ 2,985,082
 Amounts reported for the component unit in the Statement of Net Position are different because:		
Capital assets are used in the component unit are not current financial resources and therefore are not reported in this fund financial statement. These consist of:		
Land	11,250	
Improvements other than buildings (net of accumulated depreciation)	2,450,674	
 Some debt related deferred outflows of resources and liabilities do not represent current resources or are not due and payable in the current period and are not included in the fund financial statements. These balances consist of:		
Deferred charges on refunding		14,803
Accrued interest	(13,662)	(12,972)
Long-term debt	(2,835,000)	(2,690,208)
Net position of component unit	\$ 266,669	\$ 296,705

CITY OF DESOTO, TEXAS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended September 30, 2014

	Desoto Parks Development Corporation	Desoto Economic Development Corporation
Revenues		
Sales tax	\$ 545,741	\$ 1,637,222
Investment earnings	860	11,723
Total Revenues	<u>546,601</u>	<u>1,648,945</u>
Expenditures		
Current:		
Economic development		873,036
Debt service:		
Principal	340,000	252,003
Interest and other charges	117,241	107,084
Total Expenditures	<u>457,241</u>	<u>1,232,123</u>
Net change in fund balances	89,360	416,822
Fund balances - beginning	<u>564,047</u>	<u>2,568,260</u>
Fund balances - ending	<u><u>\$ 653,407</u></u>	<u><u>\$ 2,985,082</u></u>
Net Change in Fund Balances - component unit	\$ 89,360	\$ 416,822
Amounts reported for the component unit in the Statement of Activities are different because:		
The component unit reports outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation in the current period.		
	(150,705)	
The component unit reports bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. The component unit fund reports repayment of bond principal as an expenditures. In contrast, the Statement of Net Position shows this as a reduction of long-term liabilities.		
Repayment of principal on long-term debt	340,000	252,003
Amortization of premium on debt		3,717
Amortization of deferred loss on refunding		(1,645)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Accrued compensated absences		(1,041)
Accrued interest	1,169	828
Changes in Net Position of Component Units	<u><u>\$ 279,824</u></u>	<u><u>\$ 670,684</u></u>

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STATISTICAL SECTION

This part of the City of DeSoto's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents Pages

<i>Financial Trends</i>	<i>94-103</i>
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
<i>Revenue Capacity</i>	<i>105-111</i>
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
<i>Debt Capacity</i>	<i>112-117</i>
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
<i>Demographic and Economic Information</i>	<i>118-119</i>
This schedule offers demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
<i>Operating Information</i>	<i>120-125</i>
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF DESOTO, TEXAS

NET POSITION BY COMPONENT

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Governmental Activities				
Net investment in capital assets	\$ 79,821,001	\$ 80,552,505	\$ 85,553,558	\$ 83,839,278
Restricted	6,171,884	5,011,347	2,762,778	2,629,370
Unrestricted	<u>11,361,795</u>	<u>8,889,050</u>	<u>9,830,512</u>	<u>9,708,413</u>
Total governmental activities net assets	<u><u>\$ 97,354,680</u></u>	<u><u>\$ 94,452,902</u></u>	<u><u>\$ 98,146,848</u></u>	<u><u>\$ 96,177,061</u></u>
 Business-type activities				
Net investment in capital assets	\$ 53,034,176	\$ 55,777,822	\$ 57,708,884	\$ 46,444,456
Unrestricted	<u>14,439,474</u>	<u>13,095,617</u>	<u>10,933,100</u>	<u>21,617,015</u>
Total business-type activities net assets	<u><u>\$ 67,473,650</u></u>	<u><u>\$ 68,873,439</u></u>	<u><u>\$ 68,641,984</u></u>	<u><u>\$ 68,061,471</u></u>
 Primary government				
Net investment in capital assets	\$ 132,855,177	\$ 136,330,327	\$ 143,262,442	\$ 130,283,734
Restricted	6,171,884	5,011,347	2,762,778	2,629,370
Unrestricted	<u>25,801,269</u>	<u>21,984,667</u>	<u>20,763,612</u>	<u>31,325,428</u>
Total Primary government net positions	<u><u>\$ 164,828,330</u></u>	<u><u>\$ 163,326,341</u></u>	<u><u>\$ 166,788,832</u></u>	<u><u>\$ 164,238,532</u></u>

Table 1

2010	2009	2008	2007	2006	2005
\$ 82,952,006	\$ 88,778,833	\$ 83,437,503	\$ 82,336,139	\$ 72,469,145	\$ 72,273,595
1,727,639	3,407,347	2,912,353	2,723,392	8,641,086	3,632,028
12,761,912	7,458,927	10,599,124	9,085,126	8,680,251	5,775,203
<u>\$ 97,441,557</u>	<u>\$ 99,645,107</u>	<u>\$ 96,948,980</u>	<u>\$ 94,144,657</u>	<u>\$ 89,790,482</u>	<u>\$ 81,680,826</u>
\$ 59,668,820	\$ 53,525,260	\$ 56,931,665	\$ 58,520,397	\$ 51,541,923	\$ 45,250,643
6,493,872	12,276,723	6,611,738	5,215,673	10,045,425	8,284,326
<u>\$ 66,162,692</u>	<u>\$ 65,801,983</u>	<u>\$ 63,543,403</u>	<u>\$ 63,736,070</u>	<u>\$ 61,587,348</u>	<u>\$ 53,534,969</u>
\$ 142,620,826	\$ 142,304,093	\$ 143,369,168	\$ 140,856,536	\$ 124,011,068	\$ 117,524,238
1,727,639	3,407,347	2,912,353	2,723,392	8,641,086	3,632,028
19,255,784	19,735,650	17,210,862	14,300,799	18,725,676	14,059,529
<u>\$ 163,604,249</u>	<u>\$ 165,447,090</u>	<u>\$ 163,492,383</u>	<u>\$ 157,880,727</u>	<u>\$ 151,377,830</u>	<u>\$ 135,215,795</u>

CITY OF DESOTO, TEXAS
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2014	2013	2012	2011
Expenses				
Governmental activities:				
General government	\$ 3,689,262	\$ 4,054,193	\$ 4,562,337	\$ 5,217,799
Public safety	18,322,046	17,789,694	17,491,146	17,578,307
Development services	9,201,069	8,878,903	7,312,154	7,788,666
Financial services	397,475	492,164	926,892	855,547
Municipal court	541,705	456,592	-	-
Information technology	428,672	306,289	280,360	294,197
Human resources	290,303	246,211	197,978	139,935
Parks and recreation services	3,683,337	3,899,590	3,844,791	3,584,536
Library services	919,596	892,249	890,239	896,501
Interest on long-term debt	2,453,548	2,634,793	3,391,573	3,423,048
Total government activities expenses	39,927,013	39,650,678	38,897,470	39,778,536
Business-type activities:				
Water and wastewater	15,982,382	14,061,689	-	-
Drainage	1,594,527	1,970,730	-	-
Sanitation	3,795,723	3,695,159	-	-
Total business-type activities	21,372,632	19,727,578	18,771,364	15,683,891
Total primary government expenses	\$ 61,299,645	\$ 59,378,256	\$ 57,668,834	\$ 55,462,427
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	\$ 332,066	\$ 618,605	\$ 365,815	\$ 226,158
Public safety	4,225,010	3,024,624	2,865,010	2,459,939
Development services	1,260,957	871,691	823,229	795,377
Financial services	-	768,546	813,009	864,197
Information technology	-	63,068	62,601	64,841
Human resources	-	-	-	-
Parks and recreation services	749,215	-	-	-
Library services	59,149	-	-	-
Operating grants and contributions	964,431	1,040,029	1,254,754	926,017
Capital grants and contributions	1,787	376,468	2,450,162	402,804
Total Governmental activities program revenues:	7,592,615	6,763,031	8,634,580	5,739,333
Business-type activities:				
Charges for services:				
Water and wastewater	16,583,747	16,532,417	16,138,436	16,680,611
Drainage	1,483,893	1,488,332	1,458,904	1,472,674
Sanitation	3,954,851	3,848,776	3,428,857	3,244,899
Capital grants and contributions	-	137,750	15,000	158,865
Total business-type activities program revenues	22,022,491	22,007,275	21,041,197	21,557,049
Total primary government program revenues	\$ 29,615,106	\$ 28,770,306	\$ 29,675,777	\$ 27,296,382

Table 2
Page 1 of 2

2010	2009	2008	2007	2006	2005
\$ 4,845,547	\$ 3,827,242	\$ 5,770,984	\$ 5,116,336	\$ 3,680,576	\$ 3,015,728
17,889,132	17,402,007	15,173,881	15,368,212	14,206,475	13,303,331
8,109,041	7,523,025	7,927,578	8,389,388	6,657,838	6,237,838
884,724	777,635	1,258,242	1,192,832	1,208,137	1,247,847
-	-	-	-	-	-
294,032	328,417	600,639	602,759	569,664	535,177
171,664	213,452	369,265	336,085	310,097	318,279
3,683,752	3,162,068	3,532,927	3,262,673	4,198,907	3,169,717
949,520	933,378	876,249	847,492	761,034	709,381
3,557,515	3,939,305	3,970,451	3,363,716	3,262,049	3,067,496
<u>40,384,927</u>	<u>38,106,529</u>	<u>39,480,216</u>	<u>38,479,493</u>	<u>34,854,777</u>	<u>31,604,794</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>16,843,244</u>	<u>16,688,807</u>	<u>16,763,211</u>	<u>15,904,487</u>	<u>15,450,885</u>	<u>14,238,888</u>
<u>\$ 57,228,171</u>	<u>\$ 54,795,336</u>	<u>\$ 56,243,427</u>	<u>\$ 54,383,980</u>	<u>\$ 50,305,662</u>	<u>\$ 45,843,682</u>
\$ 329,150	\$ 989,675	\$ 1,698,725	\$ 1,619,187	\$ 1,604,188	\$ 1,649,883
2,518,011	3,593,925	2,851,576	3,354,155	2,823,888	2,831,249
575,242	448,877	645,532	1,086,307	940,001	1,121,560
756,356	834,057	717,569	709,537	726,053	551,543
61,406	51,333	47,864	45,023	45,753	40,966
-	518	-	-	4,749	3,150
-	-	-	-	-	-
-	-	-	-	-	-
1,684,707	1,088,561	842,032	896,598	1,462,364	1,093,302
<u>338,964</u>	<u>23,696</u>	<u>1,765,753</u>	<u>2,040,813</u>	<u>5,157,461</u>	<u>3,822,649</u>
<u>6,263,836</u>	<u>7,030,642</u>	<u>6,803,298</u>	<u>9,751,620</u>	<u>12,764,457</u>	<u>11,114,302</u>
14,155,822	14,036,444	13,808,696	12,579,614	16,350,648	12,565,490
1,463,866	1,447,012	1,497,912	1,389,414	1,235,750	1,284,077
3,199,311	2,880,996	3,296,873	3,029,504	2,772,209	2,811,408
<u>35,571</u>	<u>104,877</u>	<u>1,512,223</u>	<u>2,399,780</u>	<u>4,281,581</u>	<u>2,033,231</u>
<u>18,854,570</u>	<u>18,469,329</u>	<u>20,115,704</u>	<u>19,398,312</u>	<u>24,640,188</u>	<u>18,694,206</u>
<u>\$ 25,118,406</u>	<u>\$ 25,499,971</u>	<u>\$ 26,919,002</u>	<u>\$ 29,149,932</u>	<u>\$ 37,404,645</u>	<u>\$ 29,808,508</u>

CITY OF DESOTO, TEXAS
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
NET (EXPENSE) REVENUES				
Governmental activities	\$ (32,334,398)	\$ (32,887,647)	\$ (30,262,890)	\$ (34,039,203)
Business-type activities	649,859	2,279,697	2,269,833	3,864,663
Total primary government net expense	<u>\$ (31,684,539)</u>	<u>\$ (30,607,950)</u>	<u>\$ (27,993,057)</u>	<u>\$ (30,174,540)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes:				
Property taxes	\$ 21,730,242	\$ 21,165,572	\$ 20,673,781	\$ 21,392,377
Sales taxes	6,548,886	6,089,949	5,929,029	5,409,524
Franchise and other taxes	3,024,987	2,846,979	2,835,277	2,998,791
Hotel occupancy	790,657	755,819	734,528	634,074
Unrestricted investment earnings	61,157	74,177	70,204	83,020
Miscellaneous	956,711	207,602	254,756	262,238
Transfers	2,123,536	1,836,131	1,735,102	1,651,170
Total governmental activities	<u>35,236,176</u>	<u>32,976,229</u>	<u>32,232,677</u>	<u>32,431,194</u>
Business-type activities:				
Unrestricted investment earnings	73,888	68,425	45,782	28,799
Miscellaneous	-	-	-	-
Transfers	(2,123,536)	(1,836,131)	(1,735,102)	(1,651,170)
Total business-type activities	<u>(2,049,648)</u>	<u>(1,767,706)</u>	<u>(1,689,320)</u>	<u>(1,622,371)</u>
Total primary government CHANGE IN NET POSITION	<u>33,186,528</u>	<u>31,208,523</u>	<u>30,543,357</u>	<u>30,808,823</u>
Governmental activities	2,901,778	88,582	1,969,787	(1,608,009)
Business-type activities	(1,399,789)	511,991	580,513	2,242,292
Total primary government	<u>\$ 1,501,989</u>	<u>\$ 600,573</u>	<u>\$ 2,550,300</u>	<u>\$ 634,283</u>

Table 2
Page 2 of 2

2010	2009	2008	2007	2006	2005
\$ (34,121,091)	\$ (31,075,887)	\$ (30,910,865)	\$ (28,727,873)	\$ (22,090,320)	\$ (20,490,492)
2,011,326	1,780,522	3,352,493	3,943,825	9,189,303	4,455,318
<u>\$ (32,109,765)</u>	<u>\$ (29,295,365)</u>	<u>\$ (27,558,372)</u>	<u>\$ (24,784,048)</u>	<u>\$ (12,901,017)</u>	<u>\$ (16,035,174)</u>
\$ 20,998,395	\$ 21,562,536	\$ 22,051,523	\$ 20,479,714	\$ 18,748,137	\$ 16,971,307
5,532,796	5,028,838	5,802,926	5,314,550	4,680,468	4,499,908
2,794,521	3,129,287	3,336,906	3,394,651	3,848,098	3,250,555
571,969	470,214	395,829	258,848	416,017	244,491
42,494	314,323	1,434,605	1,857,677	1,259,291	523,957
208,314	-	-	-	-	178,272
1,769,052	1,278,553	693,399	1,708,085	1,487,965	572,183
<u>31,917,541</u>	<u>31,783,751</u>	<u>33,715,188</u>	<u>33,013,525</u>	<u>30,439,976</u>	<u>26,240,673</u>
31,429	55,674	148,239	362,982	351,041	186,284
87,006	30,208	-	-	-	(37,461)
<u>(1,769,052)</u>	<u>(1,278,553)</u>	<u>(693,399)</u>	<u>(1,708,085)</u>	<u>(1,487,965)</u>	<u>(572,183)</u>
<u>(1,650,617)</u>	<u>(1,192,671)</u>	<u>(545,160)</u>	<u>(1,345,103)</u>	<u>(1,136,924)</u>	<u>(423,360)</u>
<u>30,266,924</u>	<u>30,591,080</u>	<u>33,170,028</u>	<u>31,668,422</u>	<u>29,303,052</u>	<u>25,817,313</u>
(2,203,550)	707,864	2,804,323	4,285,652	8,349,656	5,750,181
360,709	587,851	2,807,333	2,148,722	8,052,379	4,031,958
<u>\$ (1,842,841)</u>	<u>\$ 1,295,715</u>	<u>\$ 5,611,656</u>	<u>\$ 6,434,374</u>	<u>\$ 16,402,035</u>	<u>\$ 9,782,139</u>

CITY OF DESOTO, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2014	2013	2012	2011 **
General fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable:				
Inventories	42,754	45,363	52,881	39,331
Assigned:				
Subsequent year's budget			557,178	528,025
Unassigned	13,395,310	10,590,898	8,684,056	7,967,759
Total General Fund	13,438,064	10,636,261	9,294,115	8,535,115
All Other Governmental Funds				
Reserved				
Special revenue funds		-	-	-
Non Spendable: Note Receivable	57,003	109,005	161,673	212,025
Restricted:				
Debt Service	2,532,070	1,655,137	1,603,729	1,450,009
Street Improvements	2,592,811	5,684,787	7,480,942	9,080,205
Public safety	922,879	696,371	728,475	679,910
Economic Development	1,034,694	800,580	552,351	558,547
Culture and Recreation				617
Capital projects		35,248	35,248	1,327,888
Committed:				
Public Health	18,370	18,355	18,352	18,323
Development activities	258,979	277,947	152,029	150,081
Assigned:				
Street Improvements		115,737	826,931	1,387,953
Capital projects	246,994	528,404	729,681	
Total Other Governmental Funds	7,663,800	9,921,571	12,289,411	14,865,558
Total Fund Balances of Governmental Funds	\$ 21,101,864	\$ 20,557,832	\$ 21,583,526	\$ 23,400,673

**** Implementation of GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions."**

Table 3

2010	2009	2008	2007	2006	2005
\$ 221,638 6,964,196	\$ 454,274 7,157,520	\$ 46,495 6,853,977	\$ 34,432 6,780,425	\$ 36,619 7,066,881	\$ 268,351 6,255,230
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,185,834	7,611,794	6,900,472	6,814,857	7,103,500	6,523,581
18,072,628 (375,719)	21,282,353 (296,834)	22,030,806 (267,389)	28,452,022 (155,816)	18,715,559 (147,372)	13,633,702 20,261
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
17,696,909	20,985,519	21,763,417	28,296,206	18,568,187	13,653,963
<u>\$ 24,882,743</u>	<u>\$ 28,597,313</u>	<u>\$ 28,663,889</u>	<u>\$ 35,111,063</u>	<u>\$ 25,671,687</u>	<u>\$ 20,177,544</u>

CITY OF DESOTO, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2014	2013	2012	2011
Revenues				
Taxes				
Property taxes	\$ 21,709,933	\$ 21,147,434	\$ 20,753,144	\$ 20,719,051
Sales taxes	3,024,987	6,089,949	6,423,115	5,860,318
Franchise fees and others	6,548,886	2,877,716	2,692,496	2,998,792
Hotel occupancy	790,657	725,382	704,045	597,292
Fines and forfeitures	1,520,772	998,412	958,534	1,054,477
Licenses and permits	1,248,422	871,691	823,229	795,377
Intergovernmental	2,261,079	1,867,758	2,072,020	1,278,510
Charges for services	2,283,407	2,189,271	1,921,012	1,696,669
Investment earnings	61,157	74,177	70,204	83,020
Recreation services	731,655	748,099	796,815	820,760
Administrative				
Assessments			-	-
Miscellaneous	781,805	291,392	156,764	257,910
Total revenues	40,962,760	37,881,281	37,371,378	36,162,176
Expenditures				
Current:				
General government	1,260,101	2,120,838	2,631,101	2,622,418
Public safety:	16,493,144	16,917,596	16,591,396	16,981,677
Development services	6,077,682	3,103,786	3,042,163	3,340,924
Financial services	330,271	833,766	762,721	727,046
Municipal court	525,049			
Information technology	402,041	290,045	274,064	293,953
Human resources	288,934	247,092	197,010	140,181
Parks and recreation	2,882,472	3,077,070	3,222,956	3,186,277
Library services	896,324	875,161	869,133	879,457
Non-departmental	3,084,050	1,423,854	1,386,474	1,288,744
Debt service:				
Principal	4,630,076	5,602,787	4,989,020	4,641,948
Interest and other charges	2,643,073	2,915,788	3,692,322	3,602,843
Capital outlay	3,140,232	3,386,111	3,524,766	3,755,708
Total expenditures	42,653,449	40,793,894	41,183,126	41,461,176
Excess of revenues over (under) expenditures	(1,690,689)	(2,912,613)	(3,811,748)	(5,299,000)
Other Financing Sources (Uses)				
Issuance Long-Term Debt	75,000	10,375,000	18,040,000	3,314,406
Other Sources	36,185	733,159	3,220,773	189,967
Payment to refund escrow agent		(11,161,123)	(21,001,274)	(1,338,613)
Transfers in	3,665,104	4,077,117	3,314,660	2,981,635
Transfers out	(1,541,568)	(2,240,986)	(1,579,558)	(1,330,465)
Total other financing sources (uses)	2,234,721	1,783,167	1,994,601	3,816,930
Net change in fund balances	\$ 544,032	\$ (1,129,446)	\$ (1,817,147)	\$ (1,482,070)
Debt service as a percentage of noncapital expenditures	18.4%	22.8%	23.1%	21.9%

Table 4

2010	2009	2008	2007	2006	2005
\$ 20,972,154	\$ 21,774,805	\$ 22,031,974	\$ 20,358,281	\$ 18,715,056	\$ 16,822,584
5,532,796	5,056,041	5,802,926	5,314,550	4,680,468	4,499,908
2,828,106	3,129,287	3,336,906	3,394,651	3,848,098	3,250,555
575,384	405,064	395,829	258,848	248,785	244,491
1,096,452	984,317	1,074,968	1,153,583	1,110,188	1,011,588
732,293	644,884	721,068	1,174,424	1,040,754	1,176,461
1,297,146	1,112,257	844,407	900,669	1,338,761	991,055
1,627,574	1,634,730	2,095,110	1,819,581	1,766,040	1,487,348
76,403	314,323	1,434,605	1,857,677	1,259,291	523,957
748,192	860,012	227,719	229,686	243,027	239,278
		1,546,945	1,546,945	1,487,825	1,487,825
		23,400	73,875	254,725	144,900
535,208	710,354	662,003	615,677	1,603,733	858,620
36,021,708	36,626,074	40,197,860	38,698,447	37,596,751	32,738,570
1,961,081	1,279,890	2,334,303	3,583,153	2,406,010	2,103,346
16,653,927	16,117,852	14,387,972	14,499,761	13,351,862	12,631,637
3,551,797	3,521,060	3,856,422	3,917,629	3,508,849	3,355,538
778,779	713,569	1,241,631	1,183,605	1,199,965	1,229,697
284,355	312,204	582,721	570,323	528,544	490,368
167,715	195,881	347,323	334,416	309,404	314,769
3,234,926	2,913,823	3,166,879	2,951,319	3,555,902	2,508,218
935,633	889,791	870,217	814,602	731,986	674,453
2,067,520	1,358,466	2,933,840	1,053,341	958,652	867,069
4,140,140	4,531,913	4,176,776	4,185,487	3,674,198	3,065,000
3,527,769	3,922,904	4,069,494	3,861,639	3,492,404	2,653,315
4,362,869	9,203,386	15,089,860	9,380,677	7,687,797	6,113,105
41,666,511	44,960,739	53,057,438	46,335,952	41,405,573	36,006,515
(5,644,803)	(8,334,665)	(12,859,578)	(7,637,505)	(3,808,822)	(3,267,945)
755,000	14,105,000	5,690,000	15,510,000	7,815,000	29,925,222
130,802	510,352	29,005	30,273		1,623,874
(724,621)	(8,281,298)		-	-	(22,563,874)
7,396,548	5,695,409	5,368,659	6,988,814	5,769,465	3,559,037
(5,627,496)	(4,416,856)	(4,675,260)	(5,280,729)	(4,281,500)	(2,986,854)
1,930,233	7,612,607	6,412,404	17,248,358	9,302,965	9,557,405
\$ (3,714,570)	\$ (722,058)	\$ (6,447,174)	\$ 9,610,853	\$ 5,494,143	\$ 6,289,460
20.6%	23.6%	21.7%	21.8%	21.3%	19.1%

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CITY OF DESOTO, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY
Last Ten Fiscal Years

Table 5

Real Property				
Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Total Assessed Value	Total Direct Tax rate
2005	\$ 2,357,730,310	\$ 308,085,090	\$ 2,665,815,400	0.6850
2006	2,517,430,840	298,440,930	2,815,871,770	0.6980
2007	2,683,144,134	276,411,696	2,959,555,830	0.7100
2008	2,667,601,748	396,884,124	3,064,485,872	0.7000
2009	2,540,797,154	397,930,090	2,938,727,244	0.7000
2010	2,618,725,080	426,359,160	3,045,084,240	0.7000
2011	2,614,231,350	430,596,100	3,044,827,450	0.7350
2012	2,578,810,970	466,503,930	3,045,314,900	0.7574
2013	2,690,657,100	474,673,150	3,165,330,250	0.7574
2014	2,835,167,980	508,086,650	3,343,254,630	0.7574

The estimated actual taxable value equals the total taxable assessed value.
All properties are assessed at 100% of actual taxable value.

Source: Dallas County Tax Office

CITY OF DESOTO, TEXAS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$100 ASSESSED VALUE)
(UNAUDITED)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Dallas County</u>	<u>Dallas Parkland Hospital</u>	<u>Dallas County Comm. College</u>
2004	\$ 0.4660	\$ 0.1930	\$ 0.6590	\$ 0.2090	\$ 0.2540	\$ 0.0780
2005	0.4760	0.2090	0.6850	0.2140	0.2540	0.0820
2006	0.4860	0.2120	0.6980	0.2190	0.2540	0.0810
2007	0.4860	0.2240	0.7100	0.2330	0.2540	0.0800
2008	0.4860	0.2140	0.7000	0.2330	0.2540	0.0890
2009	0.4960	0.2040	0.7000	0.2330	0.2740	0.0950
2010	0.4960	0.2040	0.7000	0.2530	0.2710	0.0990
2011	0.5050	0.2300	0.7350	0.2530	0.2710	0.1000
2012	0.5049	0.2525	0.7574	0.2431	0.2710	0.1194
2013	0.5199	0.2375	0.7574	0.2431	0.2710	0.1194
2014	0.5303	0.2271	0.7574	0.2531	0.2760	0.1247

Note: Tax rate is at 100% of market value.

Table 6

Total City , County, Hospital and College		DeSoto I.S.D.	Total City, County, Hospital, College and DeSoto I.S.D.	Dallas I.S.D.	Total City, County, Hospital College and Dallas I.S.D.	Duncanville I.S.D.	Total City, County, Hospital College and Duncanville I.S.D.
\$	1.2000	\$ 1.7100	\$ 2.9100	\$ 1.6400	\$ 2.8400	\$ 1.8550	\$ 3.0550
	1.2350	1.7900	3.0250	1.6880	2.9230	1.8660	3.1010
	1.2520	1.7600	3.0120	1.5030	2.7550	1.7360	2.9880
	1.2770	1.4900	2.7670	1.2000	2.4770	1.4180	2.6950
	1.2760	1.5100	2.7860	1.1830	2.4590	1.4180	2.6940
	1.3020	1.4900	2.7920	1.2710	2.5730	1.4180	2.7200
	1.3230	1.4900	2.8130	1.2400	2.5630	1.4200	2.7430
	1.3590	1.4400	2.7990	1.2900	2.6490	1.4180	2.7770
	1.3909	1.4400	2.8309	1.2903	2.6812	1.4300	2.8209
	1.3909	1.4400	2.8309	1.2903	2.6812	1.4100	2.8009
	1.4112	1.4900	2.9012	1.2821	2.6933	1.4100	2.8212

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CITY OF DESOTO, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Table 7

Fiscal Year Ended Sept 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2005	\$ 16,698,546	\$15,705,410	94.05%	\$ 607,320	\$16,312,730	97.69%
2006	16,535,406	15,993,668	96.72%	369,744	16,363,412	98.96%
2007	19,915,679	19,114,409	95.98%	578,349	19,692,758	98.88%
2008	21,395,308	20,702,532	96.76%	400,308	21,102,840	98.63%
2009	21,379,787	20,812,339	97.35%	296,735	21,109,074	98.73%
2010	20,746,013	20,277,877	97.74%	288,711	20,566,588	99.14%
2011	20,692,471	20,324,347	98.22%	178,225	20,502,572	99.08%
2012	21,182,362	20,705,884	97.75%	104,375	20,810,259	98.24%
2013	21,069,288	20,922,192	99.30%	106,911	21,029,103	99.81%
2014	21,808,320	21,470,787	98.45%	-	21,470,787	98.45%

Source : Dallas County Tax Office

CITY OF DESOTO, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

2014					
Taxpayer	Taxable Assessed Valuation (1)	Type of Business	Rank	Percentage of Total Taxable Assessed Valuation	Percentage of Top Ten Taxpayers to Assessed Valuation
Solar Turbines Inc.	\$ 172,448,420	Manufacturing	1	5.45%	37.64%
Kohl's Department Store	74,602,700	Distribution	2	2.36%	16.29%
McGraw Hill/School	55,498,080	Manufacturing	3	1.75%	12.11%
Wal-Mart Stores Texas LP	31,065,390	Retail/Warehouse	4	0.98%	6.78%
WRH Properties/Mt. Vernon Inc.	25,940,800	Apartments	5	0.67%	5.66%
Oncor Electric Delivery	24,031,020	Public Utility	6	0.66%	5.25%
DeSoto Apartments LTD	21,200,000	Apartments	7	0.67%	4.63%
Cintas Corporation	20,972,450	Retail/Uniforms	8	0.66%	4.58%
Desoto Ridge Apartments LTD	17,800,000	Apartments	9	0.56%	3.89%
Maclay Carlin Desoto LTD	14,536,630	Shopping Center	10	0.46%	3.17%
Texas Utilities Elec. Co.	-	Utility		-	-
East Wells III Inc.	-	Investments		-	-
Albertsons Inc.	-	Retail		-	-
DIAB LP	-	Manufacturing		-	-
Dallas Wholesale Builders	-	Manufacturing		-	-
Total	<u>\$ 458,095,490</u>			<u>14.22%</u>	<u>100.0%</u>

Source: Dallas County Appraisal District

Table 8

2005				
Taxable Assessed Valuation (1)		Rank	Percentage of Total Taxable Assessed Valuation	Percentage of Top Ten Taxpayers to Assessed Valuation
\$	98,241,550	1	3.74%	35.96%
	-		-	-
	65,474,340	2	2.49%	23.96%
	-		-	-
	12,320,000	6	0.47%	4.51%
	-		-	-
	16,500,000	4	0.63%	6.04%
	-		-	-
	-		-	-
	11,774,330	8	0.45%	4.31%
	23,442,030	3	0.89%	8.58%
	12,896,540	5	0.49%	4.72%
	11,780,230	7	0.45%	4.31%
	10,688,040	9	0.41%	3.91%
	10,097,640	10	0.38%	3.70%
\$	273,214,700		10.40%	100.0%

CITY OF DESOTO, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government
	General Obligation Bonds	Certificates of Obligation Bonds	Notes Payable	Capital Lease Obligations	General Obligation Bonds	Certificates of Obligation	
2005	\$54,617,226	\$ 11,408,460	\$2,045,222	\$ 749,921	\$ 395,000	\$ 4,460,000	\$ 73,675,829
2006	58,923,028	11,243,460	1,855,989	634,262	-	5,350,000	78,006,739
2007	61,948,256	19,848,460	1,671,789	512,747	-	5,140,000	89,121,252
2008	63,703,255	19,923,459	1,482,689	385,071	-	4,920,000	90,414,474
2009	61,401,561	22,478,459	1,291,852	290,796	1,376,694	8,500,000	95,339,362
2010	59,120,223	21,250,000	1,095,105	188,241	1,212,833	13,125,000	95,991,402
2011	55,373,650	21,995,000	892,040	518,768	1,326,351	15,680,000	95,785,809
2012	54,005,759	15,865,000	678,926	410,089	708,576	14,985,000	86,653,350
2013	53,193,962	14,855,000	459,346	308,020	3,931,255	15,195,000	87,942,583
2014	45,570,481	14,180,000	233,105	336,898	2,944,519	14,550,000	77,815,003

Personal income data unavailable prior to fiscal year 2007.

^a Personal income and population data can be found in demographic and economic statistics table.

Table 9

Percentage of Personal Income	Per Capita
-	\$ 1,619
-	1,656
6.98%	1,872
6.58%	1,868
7.28%	1,958
6.52%	1,986
6.39%	1,953
5.80%	1,767
5.65%	1,721
4.96%	1,511

CITY OF DESOTO, TEXAS
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
Last Ten Fiscal Years

Table 10

Fiscal Year	Population	Assessed Value	Total Bonded Debt (1)	Less Debt Services Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Per Capita
2005	45,514	\$ 2,665,815,400	\$ 70,880,686	\$ 1,244,114	\$ 69,636,572	2.61%	\$ 1,530
2006	47,109	2,815,871,770	75,516,488	1,323,212	74,193,276	2.63%	1,575
2007	47,600	2,959,555,830	86,936,716	1,720,235	85,216,481	2.88%	1,790
2008	48,391	3,064,485,872	88,546,714	2,254,215	86,292,499	2.82%	1,783
2009	48,700	2,938,727,244	93,756,714	1,831,987	91,924,727	3.13%	1,888
2010	48,322	3,045,084,240	94,708,056	2,159,684	92,548,372	3.04%	1,915
2011	49,047	3,044,827,450	94,375,001	1,450,009	92,924,992	3.05%	1,895
2012	49,047	3,045,314,900	85,564,335	1,693,183	83,871,152	2.75%	1,710
2013	51,102	3,165,330,250	87,175,217	1,655,137	85,520,080	2.70%	1,674
2014	51,483	3,343,254,630	77,245,000	2,532,070	74,712,930	2.23%	1,451

(1) Includes all long-term certificates of obligation and general obligation debt.

CITY OF DESOTO, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2014

Table 11

Taxing Jurisdiction	Total Tax Supported Debt (1)	Overlapping	
		Percent Applicable	Amount
Overlapping Debt			
DeSoto Independent School District	\$ 133,718,844	85.02%	\$ 113,687,761
Dallas County	111,350,000	1.78%	1,982,030
Dallas Independent School District	2,557,940,000	0.62%	15,859,228
Dallas County Community College District	339,035,000	1.78%	6,034,823
Dallas County Hospital District	736,235,000	1.78%	13,104,983
Duncanville Independent School District	142,655,236	8.82%	12,582,192
Total Overlapping Debt			<u>163,251,017</u>
City Direct Debt	74,712,930	100.00%	<u>74,712,930</u>
Total Direct and Overlapping Debt			<u><u>237,963,947</u></u>
Population			51,483
Ratio of direct and overlapping bonded debt to taxable assessed value			7.12%
Per Capita Debt-Direct and Overlapping Debt			<u><u>4,622</u></u>

Source - First Southwest Company

(1) Includes general obligation bonds and certificates of obligation.

a. Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Texas City, Texas. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for paying the debt of each overlapping government.

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Table 12

CITY OF DESOTO, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
(UNAUDITED)
YEAR ENDED SEPTEMBER 30, 2014

Net Assessed Value		\$	3,343,254,630
Less: Exempt Property			<u>325,258,600</u>
Total Assessed Value			<u>3,017,996,030</u>
Debt limit - (10%) of total assessed value			301,799,603
Less: amount of debt applicable to debt limit:			
Total bonded debt (including special assessment bonds)	\$	77,245,000	
Less: assets in debt service funds available for payment of principal		<u>2,532,070</u>	<u>74,712,930</u>
Legal Debt Margin			<u><u>\$ 227,086,673</u></u>

CITY OF DESOTO, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
(UNAUDITED)
Last Ten Fiscal Years

Table 13

Fiscal Year	Population	Estimated Median Family Household Income (1)	Personal Income (in \$000's) (2)	Per Capita Personal Income*	Median Age	Education level in Years of Schooling	School Enrollment (3)	Unemployment Rate (2)
2005	45,514	\$ 77,844	*	*	36	High School + 2 Year:	7,915	5.7%
2006	47,109	72,726	*	*	36	High School + 2 Year:	7,898	5.5%
2007	47,600	62,960	\$ 1,277,489	27	37	High School + 2 Year:	8,700	3.0%
2008	48,391	62,960	1,373,095	28	37	High School + 2 Year:	8,884	6.2%
2009	48,700	78,020	1,308,764	27	37	High School + 2 Year:	9,063	6.7%
2010	48,322	75,488	1,472,710	30	37	High School + 2 Year:	9,020	8.2%
2011	49,047	78,020	1,499,806	30	38.2	High School + 2 Year:	8,995	7.3%
2012	49,047	58,711	1,494,805	27	38.2	High School + 2 Year:	8,972	7.3%
2013	51,102	59,003	1,557,436	30	37.8	High School + 2 Year:	9,177	7.3%
2014	51,483	60,945	1,569,047	27	36.1	High School + 2 Year:	9,200	5.8%

Sources:

- (1) DeSoto Economic Development Corporation (Claritas) - 2013
- (2) US Census Bureau
- (3) DeSoto Independent School District

Note: * Amount presented in thousands of dollars

Personal Income data is unavailable prior to fiscal year 2007

CITY OF DESOTO, TEXAS

PRINCIPAL EMPLOYERS

(UNAUDITED)

Current Year and Nine Years Ago

Table 14

Employer	2014			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
DeSoto ISD	924	1	3.28%	907	1	4.20%
Kohl's e-Commerce	500	2	1.77%			
Solar Turbines	400	3	1.42%	275	3	1.27%
City of DeSoto	364	4	1.29%	313	2	1.45%
Wal-Mart Distribution	250	6	0.89%	240	5	1.11%
Marten Transport	250	5	0.89%			
Hickory Trail Hospital	250	7	0.89%			
Williamsburg Village	220	8	0.78%	210	6	0.97%
The Cedars	190	9	0.67%			
DW Distribution Inc.	150	10	0.53%	155	7	0.72%
DIAB LP				254	4	1.18%
Tom Thumb				150	8	0.69%
Albertson's				126	9	0.58%
Kroger				125	10	0.58%
Total	3,498		12.41%	2,755		13%

Source: DeSoto, Texas-Community Profile provided by DEDC.

CITY OF DESOTO, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT
EMPLOYEES BY FUNCTION/PROGRAM
(UNAUDITED)
Last Ten Fiscal Years

Full-time Equivalent Employees as of Sept 30:

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Function/Program					
Governmental Activities:					
General Government	10	10	11	10	10
Public Safety	184	188	196	200	199
Development Services	27	25	25	25	24
Parks and Recreation Services	34	36	28	28	27
Finance	9	15	11	10	10
Municipal Court*	6				
Library	15	15	12	12	7
Human Resources	4	3	3	3	3
Information Technology	3	2	2	2	2
Water & Sewer	31	30	28	26	26
Drainage	5	5	1	1	1
Sanitation	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
Total	<u>333</u>	<u>334</u>	<u>322</u>	<u>322</u>	<u>314</u>

* Formerly categorized with Financial Services.

Source: City of DeSoto Human Resource Department

Table 15

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
10	10	10	10	10
197	196	197	191	185
24	24	26	28	27
26	26	27	34	34
11	11	12	14	14
7	7	7	11	11
3	3	3	3	3
2	2	2	2	2
26	26	27	24	24
1	1	1	1	1
<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
<u>312</u>	<u>311</u>	<u>317</u>	<u>323</u>	<u>316</u>

CITY OF DESOTO, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
(UNAUDITED)
Last Ten Fiscal Years

Function/Program	2014	2013	2012	2011	2010
General government					
Number of public information requests processed	392	267	2,320	2,023	86
Public safety					
Number of youth outreach programs held	2	1	9	10	11
Number of senior citizen symposiums held	1	13	1	1	1
Number of citizen police academics per year	1	1	2	1	2
Fire code inspections completed	235	463	756	835	978
Development services					
Traffic signal inspections	34	204	68	68	85
Parks and leisure services					
Total fitness facility memberships	4,433	4,519	6,347	4,861	5,780
Total swimming pool attendance	15,817	16,461	16,474	17,148	15,648
Library					
Total children's' story time programs	61	51	57	53	32
Human resources					
Number of salary surveys completed	21	28	24	4	5
Finance					
Municipal court cases filed	12,371	9,157	9,105	10,499	12,106
Information technology					
Number of City computers replaced annually	58	52	82	65	8
Water and sewer					
Number of touch read meters changed out	N/A	457	1,002	1,338	1,189
Number of meters changed out	4,224				
Number of meters read monthly	17,484	16,903	15,480	16,008	15,879
Drainage					
Number of easements acquired for project construction	-	-	3	-	1
Sanitation					
Number of existing intersection landscapes renovated annually	17	2	6	4	3

Source: Information provided by the head of each department

Table 16

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
2,018	75	75	55	55
10	21	40	40	53
1	7	10	8	44
1	2	2	2	3
423	432	450	445	466
204	192	168	168	194
6,405	6,025	5,493	4,342	4,325
16,887	17,830		15,306	18,873
98	33	35	47	43
5	14	8	14	8
11,342	14,117	14,271	12,923	13,399
63	64	77	67	49
629	354	1,500	900	865
15,748	15,489	15,250	14,700	14,100
5		4	4	4
2	1	1	1	1

CITY OF DESOTO, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
(UNAUDITED)
Last Ten Fiscal Years

Function/Program	2014	2013	2012	2011	2010
Public safety					
Police stations	1	1	1	1	1
Fire stations	3	3	3	3	3
Development services					
Lane Miles of streets	493	482	478	491	391
Miles of alleys	90	90	77	91	94
Traffic signals	17	17	17	17	17
Parks and recreation					
Number of parks	19	19	19	19	19
Civic centers	1	1	1	1	1
Swimming pools	1	1	1	1	1
Theater playhouses	1	1	1	1	1
Library					
Number of libraries	1	1	1	1	1
Water and sewer					
Water pumping capacity	39.5mg/day	39.5mg/day	39.5mg/day	39.5mg/day	39.5mg/day
Elevated water storage	5mg.	5mg.	5mg.	5mg.	5mg.
Ground storage	13mg.	13mg.	13mg.	13mg.	13mg.

Table 17

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
1	1	1	1	1
3	3	3	3	3
484	473	466	452	452
96	96	90	102	102
17	16	15	14	14
19	19	19	19	19
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
39.5mg/day	39.5mg/day	35mg/day	18mg/day	18mg/day
5mg.	5mg.	5mg.	5mg.	5mg.
13mg.	13mg.	13mg.	13mg.	13mg.